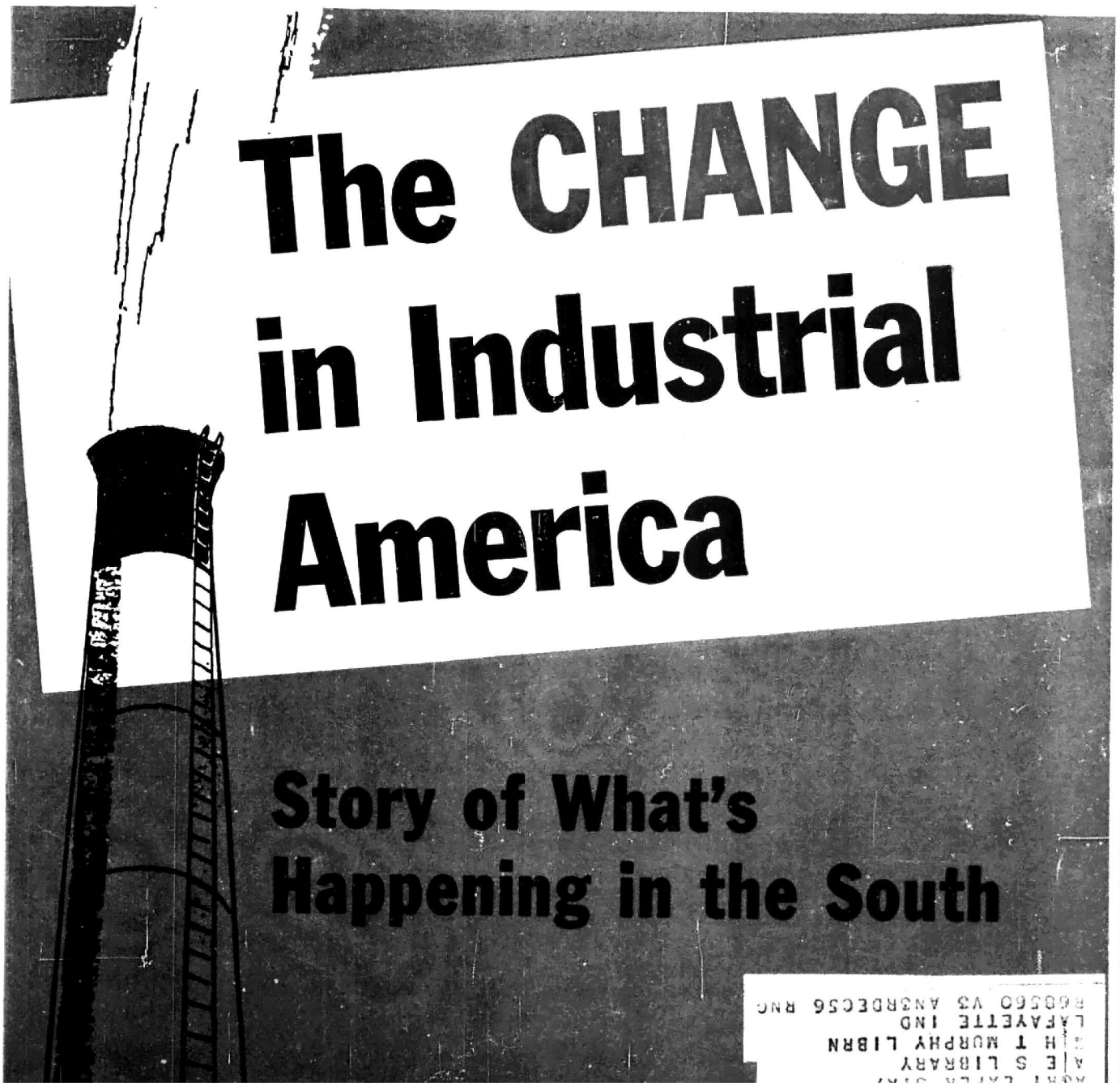
U.S. News & World Report

JANUARY 27, 1956 20 CENTS

MEANING OF CUT IN AUTO OUTPUT

PURDUE UNIVERSITY



The CHANGE in Industrial America

Story of What's Happening in the South

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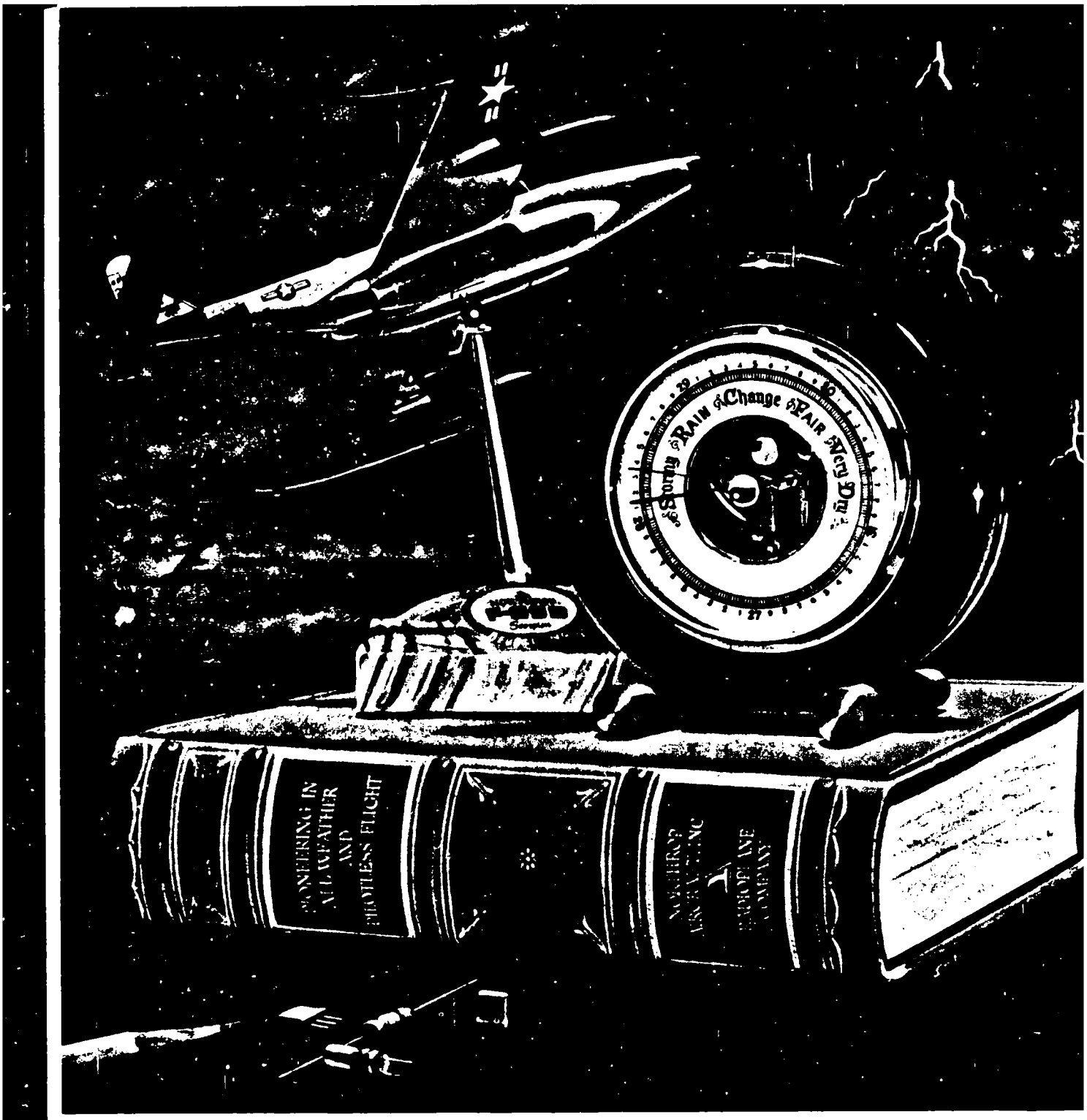

FORECAST: SECURITY—Northrop's dramatic development of long-range, all-weather interceptor aircraft is an important factor in our country's program for protection in the air. As a pioneer in this and other fields, Northrop has initiated many achievements that contribute to national safety. These accomplishments include the Northrop Scorpion F-89 interceptors now stationed at the U.S. Air Force's most strategic bases, ready to rise and destroy hostile aircraft under "impossible" weather conditions. Also included are Radioplane Company's versatile drones and missiles, and Northrop's unmanned Snark SM-62 intercontinental A-bomb carriers. New weapon systems of tomorrow are now being developed by Northrop engineers and scientists. Economical output and prompt delivery are assured by Northrop's balanced production force which capably matches the company's years-ahead vision and planning.

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Lives are enriched by advertising which stimulates "wanting," generates new ideas, speeds development and acceptance of new products, creates new jobs. Without advertising, a magazine might cost five times more, newspapers would have only a few pages, and there would be relatively few publications and broadcasting stations.

Advertising agencies prepare 30 million advertisements, 115 million TV and radio commercials, millions of booklets, letters, displays and other mass selling tools every year.

Business invests $9 billion annually in advertising to inform people about everything from new drugs to home freezers. When millions respond by buying, production can be increased, economies effected, and prices reduced. This productive circle maintains the free market in which the American consumer enjoys the finest selection of goods and services on earth.

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★ What Ike Says About a Second Term

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★ The Big Dispute Over Foreign Policy

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WORLD REPORT

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RESEARCH KEEPS **B.F.Goodrich** FIRST IN RUBBER

Now they cut through rock with fire

A typical example of B. F. Goodrich improvement in rubber

THE white flame shooting out of the metal pipe is 3800 degrees hot. So hot that it eats through 25 feet of solid granite in *an hour*—something that used to take two men with drills all day long. The spitting fire is made right there in the pipe—a mixture of oxygen and fuel oil fed to the pipe through rubber hose.

The equipment maker wanted a hose that wouldn't go to pieces in a few days from the pressure, oil and heat. His men talked it over with B. F. Goodrich and learned that engineers had developed a hose for just such jobs.

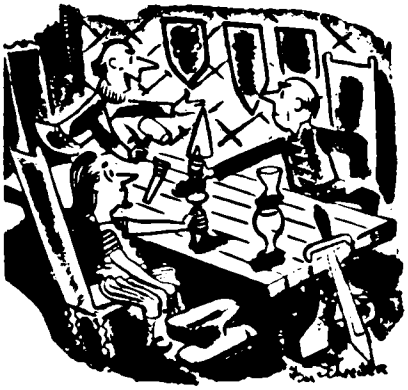
They found a way of reinforcing the hose with strong cords that stand over 5 times the pressure needed to shoot the flame—protecting the man who does the work. They developed a special rubber for the inside that stands oil without rotting or weakening.

The B. F. Goodrich hose that carries the oxygen, fuel oil, and cooling water to the jet pipe had been on the job *8 months* when the picture was taken, is still going strong.

This is an example of the ways B. F. Goodrich engineers find to make rubber save money for users—either by doing a job other rubber can't do, or by lasting longer, or by replacing other more expensive materials. Your B. F. Goodrich distributor would like to tell you what these improvements are, and how they can be employed for your profit. *The B. F. Goodrich Company, Dept. M-544, Akron 18, Ohio.*

B.F.Goodrich
INDUSTRIAL PRODUCTS DIVISION

THE 3 TRADESMEN



The enemy was nearly at the gates, and the town council was desperately trying to decide on the best means of defense.

A bricklayer rose to say that their only salvation was bricks. A carpenter insisted on wood. And the ironmonger pleaded for metal.

For Aesop, this story simply proved that sometimes it's pretty hard to see beyond your own nose.

And lots of investors are that way too. They get to thinking the stocks they own are just perfect for their purposes. They get so attached to them, so foolishly proud of them sometimes, that they'll even try to find excuses for them when earnings slip or their prices fail to keep up with the rest of the investment parade.

Maybe the stocks you own are the best ones you could possibly have for your purposes—in your circumstances. But maybe—just maybe—they're not.

At least, it might be worthwhile getting an objective opinion about that, mightn't it?

Well that kind of evaluation is yours for the asking.

If you'd like to know what our Research Department would do in your situation, learn exactly how we feel about the stocks you own, we'll be happy to tell you without charge or obligation of any kind. Simply address your letter to—

WALTER A. SCHOLL, *Department SA-78*

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The March of the News

SEGREGATION MOVES

SUPPORTERS OF segregated schools were on the march in many Southern States. Last week, there were these developments:

In Alabama, both House and Senate declared "null and void" the ban of the U. S. Supreme Court on segregated schools, and asked sister States to copy the action.

In Georgia, the State Senate gave quick approval to a series of bills setting up machinery for State support of private schools.

In Virginia, the legislature called a State-wide convention for March 5 to amend the State constitution to permit the use of public funds in support of private schools.

Governors of Virginia, South Carolina, Mississippi and Georgia agreed to meet in Richmond on January 24 to discuss school-segregation problems.

ROBOTS FOR DEFENSE

AIR BATTLES of the future, if waged over the U. S., will be controlled from the ground, the Air Force has revealed. Secrecy wraps were removed from the "Lincoln Project" at the Massachusetts Institute of Technology, where 2,000 scientists, engineers and others have been conducting "an all-out technological attack on some of the new problems of air defense" since 1951.

Under the new concept, defense of the nation's cities against air attack will be based on a giant complex of men and machines known as SAGE—Semi-automatic Ground Environment. Heart of the system will be a giant "brain," or control center, composed of electronic keyboards, radar screens, calculating machines and communications equipment housed in concrete buildings. Commanders on the ground will "see" the air battle on radar screens and direct U. S. interceptors. Thirty-two of these control centers are to be scattered across the U. S. at a cost of more than 1 billion dollars. The first three will be built near Trenton, N. J., at Syracuse, N. Y., and near West Point, N. Y.

FALL-OUT FALLACIES

RADIOACTIVE FALL-OUT from nuclear bomb tests is not a health hazard to the human population outside of the immediate testing area. That is the official verdict of "Project Sunshine," a world-wide study of fall-out conducted by the U. S. Atomic Energy Commission.

Results of the study were outlined by Dr. Willard F. Libby, member of the AEC, in a speech at Northwestern University last week.

Chief "long-term danger" to humans from fall-out, Dr. Libby explained, is radiostrontium, a bone-seeking relative of calcium. But, he said, "the hazard from the present rate of testing nuclear weapons is insignificant."

Dr. Libby also pointed out that, since radiostrontium is assimilated in the bones, "it constitutes essentially no genetic hazard, because its radiations do not reach the reproductive organs."

Within a few hundred miles of the explosion site, "a very real hazard" exists, Dr. Libby conceded, but he said precautions now being taken "should be entirely adequate."

SWAPPING IDEAS

IDEAS STILL are trickling through the Iron Curtain. In Washington recently, two American engineers reported on a tour of Russian factories. At the same time, four Russian scientists were arriving in the U. S. for a month-long study of the Salk antipolio vaccine.

The Americans reported: U. S. has no ground for complacency. It is "conceivable" that the Russians could catch up with American technology in a few years. What impressed them most was a plant where precision machine tools are built on a production-line basis.

The Russians reported: Polio has not been a serious problem in their land in the past, but cases have been increasing, perhaps spreading from other countries. They are "impressed" with the Salk vaccine, and its principles "undoubtedly" will be used in Russia.

A SENATOR'S EXPENSES

TAXPAYERS LEARNED, in detail, where $6,114.03 of their money went, when Senator Theodore Francis Green (Dem.), of Rhode Island, reported back from a trip around the world. The Senator, and Pat M. Holt, a staff member of the Senate Foreign Relations Committee, had visited 17 countries, looking into the foreign-aid program. The two men shattered precedent last week by filing a meticulous account of their expenditures. Commercial-airline tickets came to $4,522.10. In addition, the Senator and his aide spent $489.07 in American dollars, and the equivalent of $1,132.86 in foreign currencies. Every cent was accounted for, from "passport fee—$1" to "Lebanese pounds, Beirut, 65—$20.19."

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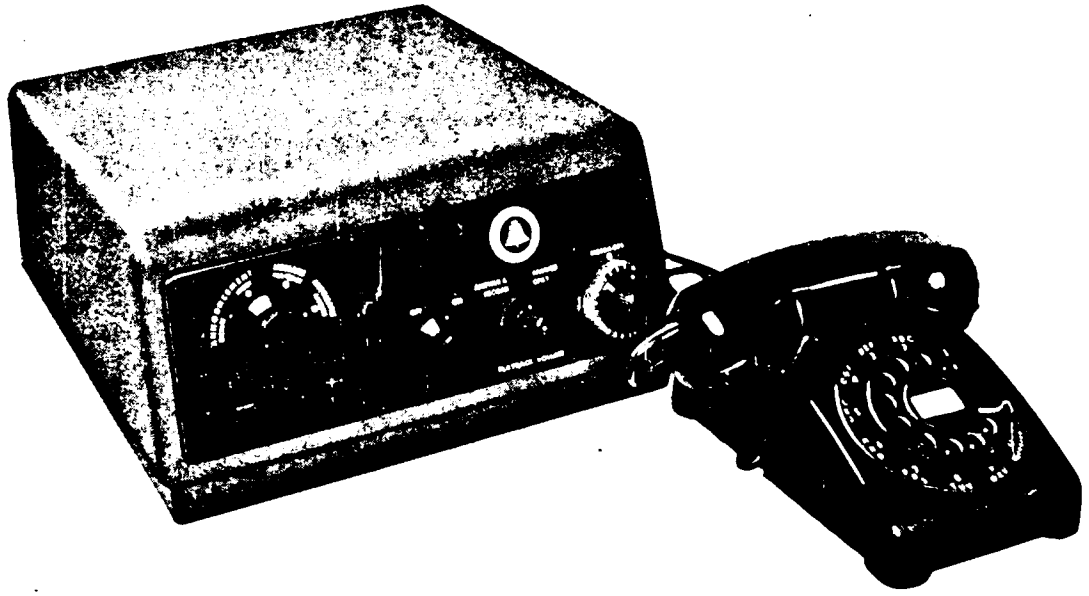

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Repair services of all types with limited personnel find it indispensable by day or night.

Motion picture theatres use it to tell callers the features playing, the cast and the starting times.

How about you? Want some automatic help in your office? Call your local Bell telephone business office.

Western Electric

MANUFACTURING AND SUPPLY UNIT OF THE BELL SYSTEM

Washington Whispers®

[Items appearing on this page are reported in Washington and other news centers]

Ike Urged to Delay Big Decision . . . How Kefauver Hopes to Stop Stevenson . . . Easier Credit Not in Sight

Sherman Adams, staff chief to the President, and other White House aides are encouraging President Eisenhower to put off as long as possible any decision on the question of running or not running again. Mid-March now is spoken of as the earliest to expect an announcement.

★ ★ ★

Richard Nixon, Vice President, is regarded by politicians as the one who will benefit from a late announcement of the President's intentions, provided that announcement is to be a decision to retire. Mr. Nixon, in that event, is regarded by the White House group as the individual most likely to be favored by Mr. Eisenhower.

★ ★ ★

Strategy of those shaping policy for the Republicans is to avoid a knockdown battle in California's presidential primary next June in event of an open contest for the Republican nomination. How to avoid a contest between Vice President Nixon and Senator William Knowland—with Governor Goodwin Knight in the anti-Nixon camp—is a problem not yet solved.

★ ★ ★

Estes Kefauver, Tennessee Senator and candidate for the Democratic presidential nomination, counts on knocking off Adlai Stevenson, rival candidate, in the California primary. The West Coast State may hold the key to the presidential nomination in both parties.

★ ★ ★

Adlai Stevenson is hearing that the ride toward a second presidential nomination, now smooth, may become rough if the President should finally make up his mind that his health will not permit him to run again. In that event, the Democratic prize would be expected to appear more valuable—with others ready to fight harder to win it.

★ ★ ★

Ezra Benson, Secretary of Agriculture, is getting less wholehearted support than he expected from Congress for the idea of a "soil bank." Members of Congress, worried about the farm vote, are getting a rather cool reception from the country toward the plan now offered.

★ ★ ★

Important members of Congress, who once had ready access to the President—either in person or by telephone—discover now that it is very difficult to intrude on Mr. Eisenhower's time. The President's workday remains closely regulated.

★ ★ ★

Richard Nixon for President, Milton Eisenhower for Vice President is a combination that is beginning to be talked about by some Republicans as one that would appeal to the voters this year.

★ ★ ★

John Foster Dulles, Secretary of State, is being credited by top-ranking Democrats with helping them to overcome one big issue that they have feared. Names of the last three Democratic Presidents were associated with war and Democrats feared that their candidate in 1956 would be confronted with that fact. These Democratic leaders now feel that the edge may be off the issue since Mr. Dulles said that a Republican President three times was "brought to the verge of war."

★ ★ ★

Sinclair Weeks, Secretary of Commerce, is irked by reports that he is not "air minded" and tends to favor railroads over airlines. Secretary Weeks, who has flown more miles than any other Commerce Secretary, expresses the opinion that "any Government official who is ground minded today is out of his mind."

★ ★ ★

Charles E. Wilson, Secretary of Defense, expects no trouble from Congress in defending a budget of 16 billion dollars for the Air Force. Staff requests for spending had been 20 billion—a sum whittled to 18 billion by top Air Force officers and then to 16 billion by the Defense Secretary's office.

★ ★ ★

All the Marshall Island natives dusted by radioactive fall-out during the hydrogen-bomb tests at Bikini two years ago now are reported by the U. S. Navy to be recovered. The 236 individuals affected will get continuing examinations to make sure that there are no later reactions.

★ ★ ★

William McChesney Martin, Jr., Federal Reserve Board Chairman, is not yet impressed by growing arguments that money should be made more available and borrowing be made easier. Six out of seven members of the Reserve Board are pictured as favoring a continued policy of restraint on new borrowing.

★ ★ ★

British scientists are hopeful that their latest nuclear weapons, when tested in April off Australia, will persuade the U. S. to agree to a new sort of atomic partnership. Training of bomber pilots from the Royal Air Force in this country is held to be a step in that direction.

★ ★ ★

The Soviet Union has expanded its diplomatic staffs in Austria to a size that has Western powers wondering what the Communists are up to.

New college-bred chemical graduates to industry

It's versatile "U.S.I. Isosebacic" acid, a new synthetic chemical developed by National Distillers U.S.I. Chemical Division research. It offers industry a myriad of end-use applications.

The new product was pioneered under a National Distillers research fellowship at the University of Cincinnati and further developed and tested in the company's Research Center. In pilot plant production for the past 18 months, it has already been evaluated by many potential users.

The first commercial plant in the world to produce this new material is now being built by U.S.I. at Tuscola, Ill. Initial capacity will be 10 million pounds a year. Pilot plant operations will be continued until the new plant begins production early in 1957.

Made synthetically from domestically produced sodium and butadiene, "U.S.I. Isosebacic" acid gives promise of the same consistency of quality, price stability, and abundant availability, characteristic of these two starting ingredients. Probable end-products of this versatile raw material include jet engine lubricants, vinyl plastics for raincoats, upholstery and seat covers; special nylon for toothbrush bristles, tennis racket strings, gears and bearings; synthetic resins for paints and enamels; reinforced plastics used in auto bodies, boats and wall partitions; foam plastics; and a new type of synthetic rubber which may make the "100,000 mile" tire a reality.

This is another of National Distillers' diversified activities which encompass petrochemicals, metallic sodium, animal feed supplements, ammonia, and many other industrial chemicals and solvents.

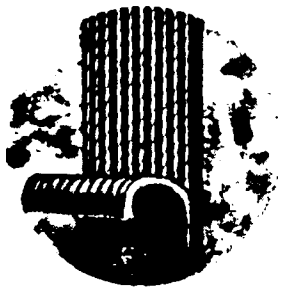
The Beverage Division continues to produce its many fine brands of liquors, some of which are listed below.

National Distillers Products Corporation

NEW YORK 16, N. Y.

Kentucky Whiskies: OLD GRAND-DAD • OLD TAYLOR • OLD CROW • OLD SUNNY BROOK (BRAND) • HILL and HILL • BOURBON DE LUXE
Whiskey: PM • • *Blended Whiskey:* BELLOWS PARTNERS CHOICE, 69% Grain Neutral Spirits, 86.8 Proof • • *Cordials:* deKUYPER
Blended Scotch Whisky: KING GEORGE IV, 86.8 Proof • • *Gin:* GILBEY'S DISTILLED LONDON DRY GIN, 100% Grain Neutral Spirits, 90 Proof

The rubber band that won'



CROSS SECTION shows why this rubber band can't stretch. A sturdy cord interliner, vulcanized between two layers of tough, flexible synthetic rubber, does the trick. This seamless "sandwich" construction maintains a constant inside belt diameter for years.

Originally created to help spin better yarn, unique material now solves many drive-belt problems

stretch

It looks like an ordinary rubber band. Feels like one, too. But there the similarity ends, because this rubber band won't stretch . . . which is one of the big reasons why it's so useful.

Its story starts back in the middle thirties, when Armstrong research chemists began development work on a new kind of apron for the textile industry. (Aprons look much like two-inch-wide rubber bands, but they actually help to control fibers on a yarn-spinning frame.)

The researchers knew what they wanted in an apron—flexibility, oil resistance, proper frictional "grip," freedom from seams, precise dimensions—all this with absolutely no stretch. But they also knew there was no existing material that combined all these qualities. The problem, then, was to create such a material.

Armstrong chemists felt that synthetic rubber, with its great flexibility and oil resistance, would probably be a good basic material—if they could keep it from stretching. After much experimentation, they found the answer by vulcanizing a sturdy cord interliner between two layers of tough synthetic rubber. The result: a rubber band that didn't stretch. And since the vulcanization literally fused the layers of this "sandwich" together, there were no seams to worry about, either.

The next—and last—step was to make sure that this unusual rubber band had exactly the right frictional grip. This presented a knotty problem because normally synthetic rubber has too much surface friction to serve as an apron . . . it grabs too hard. A controlled reduction of the friction was finally achieved, though, by giving the bands a series of special chemical baths which changed the character of the surface molecules.

These synthetic rubber aprons soon became the standard in the textile field. And as their reputation grew, other applications began to appear. A dictating machine manufacturer, for example, realized that the same qualities which made for good apron performance were just what he had been looking for in a small power transmission belt. And so this very special rubber band—in this case only $^{3}/_{8}$ of an inch wide—went to work driving an electronic dictating machine.

Still another application for these bands was found by a package machinery builder who uses much wider ones as conveyor belts. Right now, these bands are being tested for postage meters, automatic duplicating equipment, and tape recorders. The future? It looks bright for this rubber band that won't stretch.

If you manufacture equipment that uses—or could use—flat belt drives, these non-stretch seamless belts may open the way to lower costs or improved performance. They're available in many different sizes. For suggestions concerning specific applications, write to Armstrong Cork Company, Industrial Division, 8201 Dunlap Road, Lancaster, Penna.

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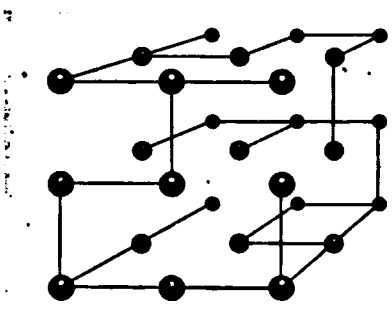
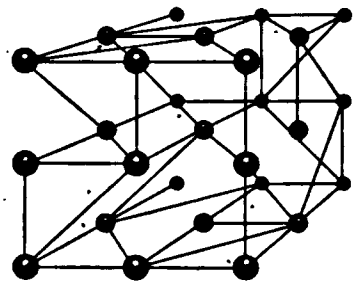
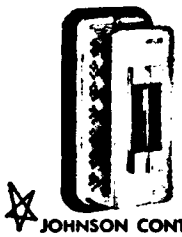


THE MOLECULES in resilient synthetic rubber are not completely cross-linked. Although the surface is smooth, its coefficient of friction is relatively high—a desirable characteristic for many drive belt applications.



FOR TEXTILE APRONS, a lower coefficient of friction is desired. To get it, Armstrong chemists developed a special chemical bath that oxidizes the rubber, creating a denser surface with considerably lower friction.

AIR CONDITIONING: it's everybody's industry!



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Tomorrow®

A LOOK AHEAD

Newsgram®

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Washington, D.C.

As things are shaping, you can be quite sure of this much:

Debt of the Government never is going to be paid off. Debt rise is more probable in the future than any important reduction in debt.

Tax cuts will take precedence over debt reduction.

Debt, at around 275 billion dollars, will influence officials, whether Republican or Democratic, to be a little biased toward inflation, against any severe or even mild deflation. Debt is a heavy burden during deflation.

Big debt now is accepted by both parties.

Spending by Government, too, will remain very high indefinitely.

Spending trend is upward again. Turn upward came after Government had brought the spending level down close to 64 billion dollars.

Taxpayers can look forward to providing the Federal Government with at least 65 billion dollars each year if there is to be a budget balance.

Defense costs are pointed upward. Cradle-to-grave security is costing more and will cost much more as new plans are voted. Aid abroad is likely to take another turn upward. Highway plans will cost more. Farmers will receive larger subsidies, not smaller. Schools will get federal subsidies sooner or later. More and more people want more and more cash from Government.

After three years in office, a Republican Administration is bending under the weight of that fact; is ready to try to give people what they want.

Private borrowing, likewise, is not to be resisted for very long.

Borrowing, right now, is not quite as easy as it was. Automobile sales reflect that. Terms aren't quite as easy. Real estate markets also reflect the firmer money policy. Mortgage money is less abundant, less cheap.

Pressures, however, already are building for a change, for an easing in terms for loans of all kinds. People like it when borrowing is easy.

Mortgage terms, under Government guarantee, again can cover 30 years. White House approval was back of this action to encourage mortgage borrowing.

The auto industry, most of it, is pressing to get credit eased so borrowing to buy will be stimulated again. Federal Reserve Board, with power over money policy, is resisting this and other pressure.

White House advisers are concerned about any loss of momentum in the housing boom. Reserve Board is concerned about credit terms so easy that the inflation of credit might get out of hand and lead to a later bust.

Reserve Board, in the field of its power, seems determined to keep a rein on opportunities for free-and-easy borrowing. Credit restraints will be applied

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for a while longer. Political pressures, before midyear, may build high enough to force some reversal in Reserve Board money policies.

Business itself is showing the effects of less easy borrowing.

New cars are selling more slowly than when the sales boom was running. House starts are substantially lower. Businessmen, generally, find it a little less easy to borrow to build inventories.

Industries dependent upon customer borrowing for sales, as a result, are less active. There's a check to the rate of rise in private debt. However, business lines not dependent upon credit buying continue to do very well.

Chances are that the over-all level of business activity will be a bit lower in the first three quarters of 1956; that the final quarter will see the start of a new turn upward as credit restraints are eased.

Stock-market weakness, of late, reflects two things: (1) uncertainty about the political outlook if Eisenhower does not run again; (2) uncertainty about the level of business and the trend in profits.

Investors, quite probably, will show nervousness during this year. There is not the same confidence either in the business outlook or in outlook for politics that was present during the big bull market of 1955.

President Eisenhower says these things about himself: "It would be idle to pretend" that his health can be "wholly restored" to the excellent state it was in before the heart attack. The progress he is making "toward a reasonable level of strength" is "normal and satisfactory." At the same time, his "future life must be carefully regulated to avoid excessive fatigue."

The President is permitting his name to be entered in the New Hampshire presidential primary of March 13. He has not made up his mind whether to run.

The President, limited in the fight he can make to get what he asks for from Congress, is likely to get a sharply revised version of his requests.

Aid for schools faces rough going, less than 50-50 chance for approval. Segregation issue, requirement for "prevailing" or union wages on buildings to be built with federal aid may trip up the whole plan once again.

"Soil bank" idea will be sharply revised. Price supports, probably, will be tied to quality of products and raised on high quality.

Highway building will be expanded within the framework of present plans, not tied directly to a new interstate system to be built over 10 years. There'll be big expansion in highway construction, but with Congress likely to keep a rather close control over the flow of the federal-aid billions.

Foreign aid is most likely to be compromised.

Natural gas stands a bit better than a 50-50 chance of being relieved of federal regulation of price at the wellhead.

Tax cut remains better than a 50-50 prospect for individuals.

War threat around Formosa is warming up somewhat. War, however, is unlikely. Communist Chinese, if determined to attack Quemoy and Matsu, will meet air resistance from Formosa. If Communists then attack Formosa to try to knock out the Nationalist Air Force, U.S. automatically would get into the fight.

Shooting, as a result, is likely to continue to be localized.

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PEOPLE ★ ★ ★

OF THE WEEK

GEN. MATTHEW B. RIDGWAY could have been peering into a clouded crystal ball three months ago. That was when word leaked out that he was writing his memoirs. He told an inquiring reporter he did not think his literary labors would prove to be controversial. The explosion that shook Washington with publication of his book in a magazine serialization proved him wrong.

Born into the Army, the son of a colonel at Fort Monroe, Va., General Ridgway's career has been one of lifetime devotion to the service. He was a wartime commander in Europe and in Korea. On taking over in 1952 as Supreme Commander of Allied Forces in Europe, with all the political and diplomatic demands of that position, he was asked how much time he intended to devote to soldiering. Snapped the General: "All of it, of course!"

As Army Chief of Staff, he fought openly against Administration proposals to cut the military forces. Once, testifying before a Senate subcommittee, he said it would be "embarrassing" to give in public session the views he had expressed at the Pentagon against a decision to reduce Army strength. But, as an officer, he said he accepted the decision of higher authority as "sound."

Now 60, General Ridgway is chairman of the board of trustees of the Mellon Institute of Industrial Research, in Pittsburgh.

PRESIDENT SOEKARNO is causing distress among Western experts on the Far East by his apparent willingness to bring Communists into the Government of Indonesia. In a recent speech the Indonesian leader chilled U. S. diplomats in Jakarta, capital of the island republic, by saying he saw no reason why the three major parties—Nationalist, Moslem and Communist—could not be represented in the Cabinet.

This is a swing to the left by President Soekarno, who, according to Javanese custom, uses only his given name without a surname. At one time he threw the full strength of the Indonesian Army against the Reds, crushed a revolt.

The President of the former Dutch East Indies colony was born in Java about 1902. He planned to become an architect, won a degree in civil engineering before turning to revolutionary activity at the age of 24. Imprisoned several times by the Dutch, he was chosen by the Japanese to head a puppet government in the islands during the wartime occupation. He has since claimed he collaborated with the Japanese in order to prepare for Indonesian independence.

In the successful postwar struggle for freedom from Dutch rule, President Soekarno became a national hero, a sort of "father of his country." It is this prestige that causes the West to view with gloom his drift from neutralism toward entanglement with the Reds.

MILITARY STRONG MAN who once again has survived a crisis in the Middle East is a slender, quiet Briton, **Lieut. Gen. John Bagot Glubb.** Leader of Jordan's crack little Army, the so-called Arab Legion, he has restored law and order in a country recently torn by rioting. But anti-Western elements that fired the riots are continuing the campaign to drive him out of Jordan, place the Army under Arab control.

Trained in the British Army, General Glubb has been in the Middle East since 1920. The General, who looks more like an archeologist than a soldier, learned several Arabian dialects, adopted the flowing robes of a desert tribesman. Starting with a cadre of 100 men, he soon whipped together the 20,000-man force which became the Arab Legion.

General Glubb's first big achievement was to crush the bandit tribes that formerly roamed through Jordan. Riding a camel, he won a reputation for skill and daring in combat that brought new recruits to his side. His was the only army that the Israelis did not push back in the Palestine fighting in 1948.

The Arab Legion is financed by a British subsidy of 22.4 million dollars a year, is regarded in London as being worth every penny of its cost as a stabilizing factor in the uneasy Middle East. But, with Russia wooing the Arab countries, Westerners are fearful that, in Arab hands, the Legion could be turned into a powerful force against them.

A POLICY PLANNER at the State Department is due for close questioning when his nomination as an Assistant Secretary of State comes before the

(Continued on page 16)

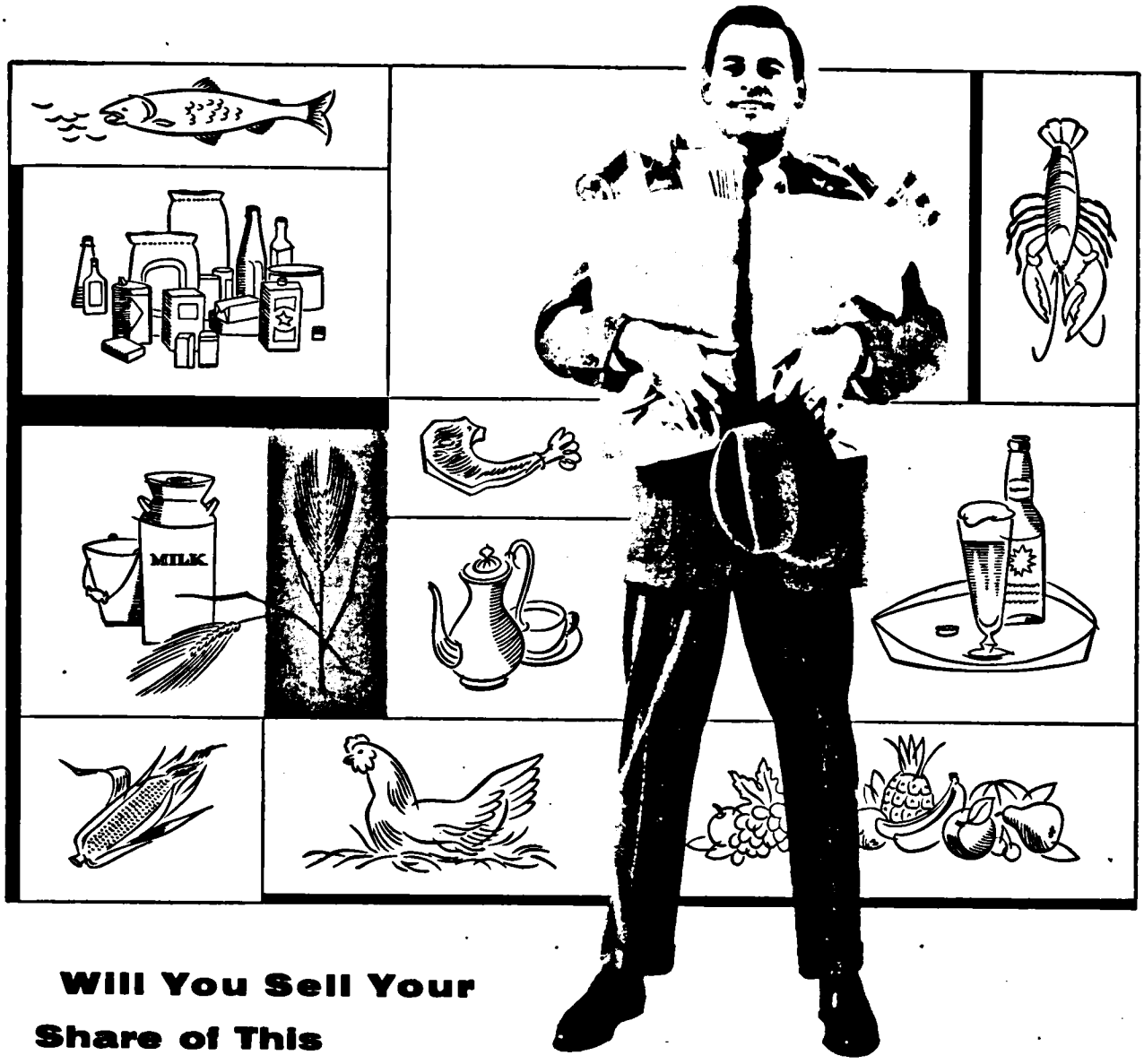
MR. HUGHES BALANCES BUDGET

—United Press

A GRUELING JOB was completed last week when Congress was presented with a balanced budget. To **Rowland R. Hughes** that was the signal to resign as Director of the Budget, an office he had held since April, 1954.

Mr. Hughes's successor will be no newcomer to the job. As Deputy Director, **Percival F. Brundage** also had an important part in putting Government books in the black.

Mr. Brundage steps into the top post in the Budget Bureau well acquainted with accounting problems in Government and industry. He is a professional accountant, former president of the Bureau of Economic Research.



Will You Sell Your Share of This

$76 Billion Meal?

Americans will consume foods and beverages in 1960 worth approximately $76.3 billion—an increase of nearly 25% during the present decade.

This increase in our national grocery bill will mean more business and greater opportunity for farm suppliers, food processors and meat packers; for bakeries and dairies; for bottlers, brewers and distributors; for hotels and restaurants; for individual dealers, chains and super-markets.

As markets expand, competition for this increasing business becomes more intensive. Under these conditions one of the best allies a business can have is a close and understanding banking connection.

At The Bank of New York the banking needs of large and small businesses in a wide variety of industries are met promptly and resourcefully. Its services are geared to the requirements of business in today's expanding economy.

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(Temporary During Construction)

CONTINUED

IS FEMININE RIVALRY BEHIND EDEN'S WOES?

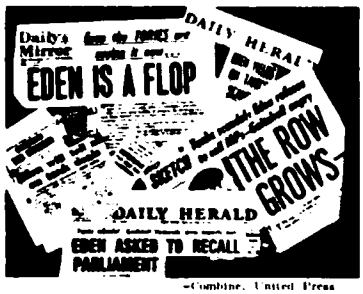
TWO LADIES high in London society are being mentioned in connection with a recent rash of newspaper criticism of Britain's Conservative Government. They are **Lady Clarissa Eden**, 35, wife of Prime Minister Sir Anthony Eden; and **Lady Pamela Berry**, 41, wife of Michael Berry, editor in chief of *The Daily Telegraph* of London.

London press accounts say Lady Clarissa and Lady Pamela have no great love for each other. Some Government officials hint that Lady Pamela was behind the sniping at Sir Anthony by the *Telegraph*, a pro-Conservative paper. Others mock talk of a petticoat feud.

Lady Clarissa is Sir Anthony's second wife, his first marriage having ended in divorce. She is a niece of Sir Winston Churchill.

LADY CLARISSA

LADY PAMELA



THOSE HEADLINES

Senate Foreign Relations Committee. He is **Robert R. Bowie**, a former professor at Harvard Law School, and his views on Red China are to be scrutinized.

Senate Republicans opposing the nomination contend that Mr. Bowie favors admission of the Communist Chinese to the United Nations. Supporters of the State Department official say, on the other hand, that he has made a few enemies on Capitol Hill by his blunt-spoken proposals for closer examination of U. S. policy toward Far Eastern problems. Secretary John Foster Dulles has refused to renege on the nomination. He regards Mr. Bowie as an adviser rather than a policy maker.

Mr. Bowie, 46, was an honor graduate of both Princeton University and the Harvard Law School. He practiced law in his native Baltimore, was Assistant Attorney General of Maryland when he entered the Army in 1942. John J. McCloy, former U. S. High Commissioner for Germany, called Mr. Bowie from a Harvard teaching post in 1950 to be his general counsel; later named him special assistant on problems of European unity, a position Mr. Bowie held through 1951.

Since May, 1953, Mr. Bowie has been director of the policy-planning staff at the State Department. He also has served on a part-time basis with the Hoover Commission on the Reorganization of the Executive Branch of the Government.

ALBERT M. COLE is one top Government official who is not content with the existing state of prosperity. The Administrator of the Housing and Home Finance Agency thinks the home-building industry needs more aid and encouragement from Government.

What bothers Mr. Cole is that he believes the country should have 1.3 million new homes this year, both to satisfy the demands of potential homeowners and to keep the building industry prosperous. At the moment, however, housing starts are running below Mr. Cole's target, and applications for new mortgage guarantees from the Veterans' Administration and the Federal Housing Administration are running well below a year ago. So Mr. Cole has moved to make mortgage terms a bit easier—30 years instead of 25 years—and to make more money available for mortgage lending.

Mr. Cole became Housing Administrator after serving two terms as a member of Congress from Kansas. As a Congressman, the industry did not regard him as a strong supporter of federal aid to housing. But he is emerging as the industry's best friend in Government—easing credit while other agencies are tightening it.

POLITICAL LEADER who may have a decisive role in the formation of a new French Government is **Guy Mollet**, a Socialist who rejects the idea of a "deal" with extremists of the "left" or "right." He is aiming at rule by a select minority of left-of-center parties, with a foreign policy keyed to general disarmament—a policy he predicts the Communists will try to sabotage.

The son of a World War I veteran who died of wounds, Mr. Mollet was educated in France and England. While teaching English and Latin in a French school for boys, he joined the Socialist Party. His political activity led to dismissal from the teaching post and he turned to politics as a career.

Captured by the Nazis while serving in the French Army, Mr. Mollet was released in 1942, immediately joined an underground resistance unit, was caught by the Gestapo. Escaping, he remained in hiding until the liberation.

The former teacher became Secretary General of the Socialist Party in 1946 after leading a revolt against the middle-road policies of former Premier Léon Blum. In the election last month of a new National Assembly, he teamed with former Premier Pierre Mendès-France to form a Republican Front movement.

VETERAN DIPLOMAT now taking over a post of suddenly heightened sensitivity is **José A. Mora**. He becomes Secretary General of the Organization of American States at a time when the Soviet Union is making a strong bid to gain an economic foothold in Latin America in a new challenge to the United States.

Since 1946, Mr. Mora has represented Uruguay in this country, as Minister, and, later, as Ambassador. A lawyer, born and educated in Montevideo, he entered the foreign service 30 years ago.

Six years ago Ambassador Mora was chairman of the Inter-American Peace Commission that successfully ended a dispute between the Dominican Republic and Cuba and Guatemala. Again last year, as chairman of the OAS council, he acted quickly to halt threatened hostilities between Costa Rica and Nicaragua.

The Organization of American States now in its 66th year, is comprised of the 21 republics of the Western Hemisphere—including the U. S. Among its main objectives are peaceable solution of all disputes and united support against foreign aggression.

Upon his election last week, Mr. Mora responded to Moscow's offer of assistance with the assertion that Latin America is well served by technical aid from the U. S. and the United Nations.

Keith Alderson (above) is Traffic Co-ordinator for Sportsvision, Inc., in Hollywood. He says,

"I'm the Sunday morning quarterback!"

"When the final gun sounds on Saturday's football games," says Keith Alderson of Sportsvision films, "cameramen rush their film to us.

"By Sunday morning, we've got finished prints of Pacific Coast Conference games into the hands of the coaches. They call me their 'Sunday morning quarterback'!

"But that's the easy part of the job.

"By evening, we've edited all the games into three half-hour TV shows—Big Ten, PCC games, and the All American Game Of The Week. Out they go to 150 television stations for immediate showing.

"How do we do it? Air Express, across the board!

"Nobody else can meet our schedules. Yet Air Express saves us money! Austin, Texas, to Hollywood, for instance, costs $8.03 for 15 lbs. That's $1.68 less than the next lowest priced air service."

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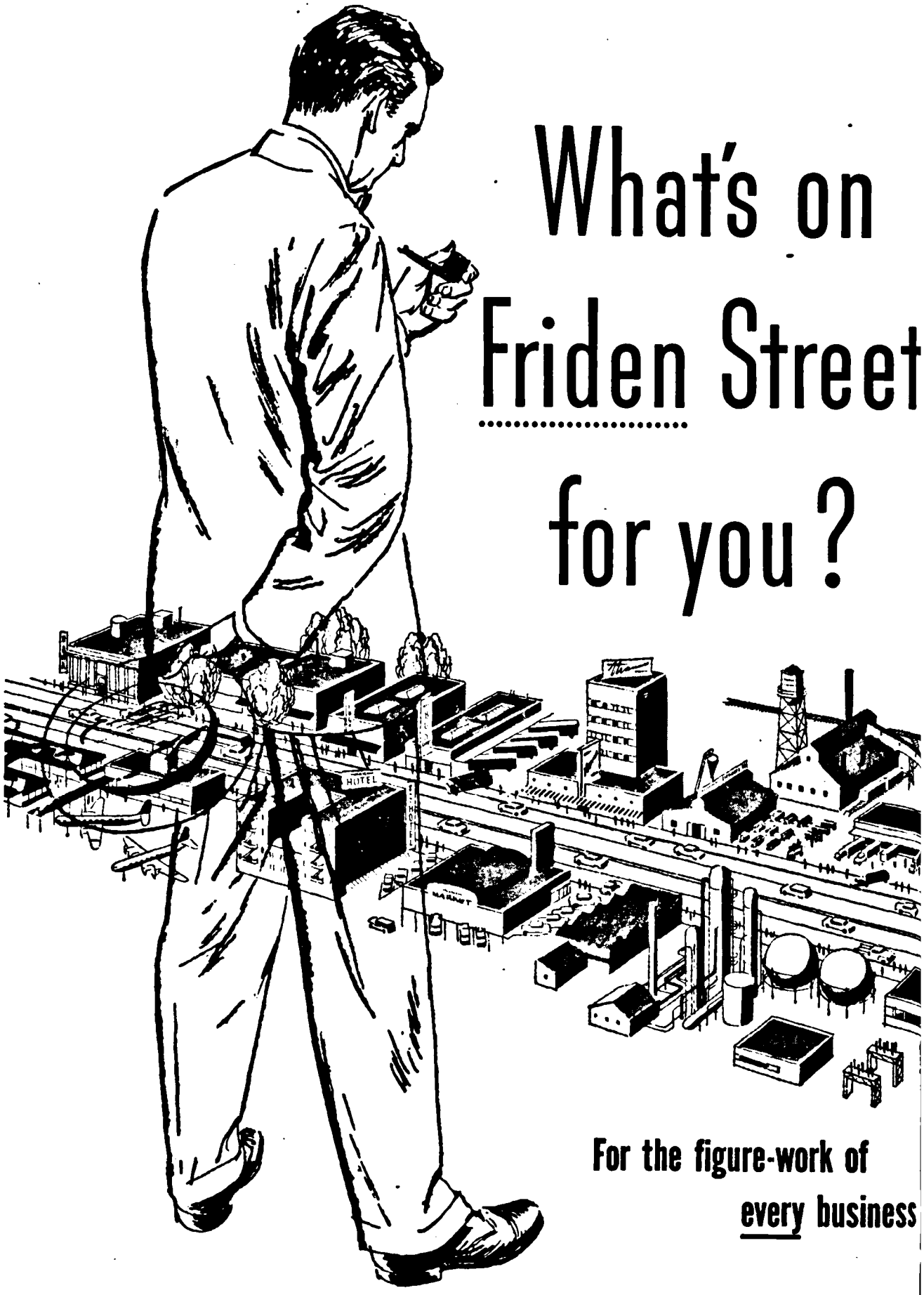


What's on Friden Street for you?

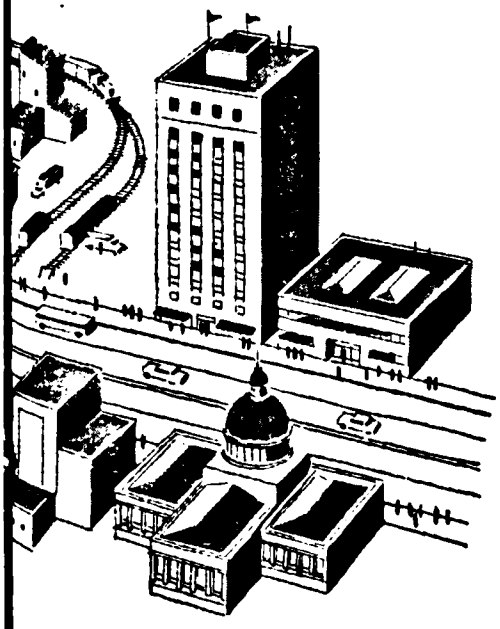
For the figure-work of every business

Friden Street is the fastest growing business location in America. And the most profitable! It runs through every city, every town, including *your* community.

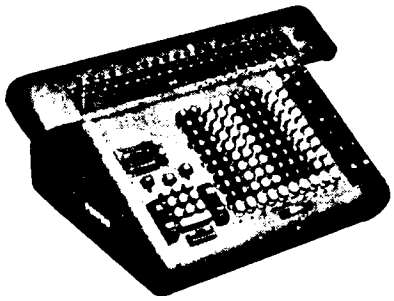
It is a street of retail stores, insurance offices, and factories... doing business side by side. A street filled with wholesalers and service firms and banks. On Friden Street are *all* the firms which share a common need to speed and simplify their figure-work routines.

Friden makes machines that do this. Friden — world leader in the field of *automatic figure-thinking*. A Friden Man as near as your phone will demonstrate the many ways these machines save time, cut costs.

Which would you like to see first?



The Thinking Machine of American Business



...THE FULLY AUTOMATIC FRIDEN CALCULATOR

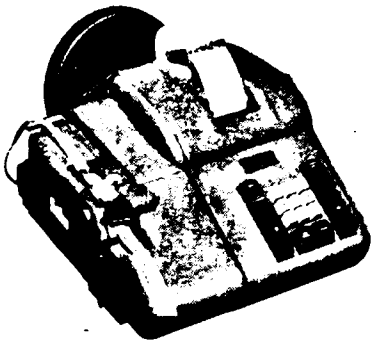
Without operator decisions — simply by figure-thinking *for* you — the Friden Calculator performs more steps in figure-work than any other calculating machine ever developed. It does payroll calculations, takes inventory, figures invoices, compiles statistics, makes quick work of *any* figuring chore. Little businesses need one, big businesses need scores. A variety of models, sizes, prices.

Natural Way Adding – Visible Items

...THE 10-KEY FRIDEN ADDING MACHINE

It has the first new keyboard granted a patent in years...so each finger falls into *natural* working position. And in a special Check Window (first-time feature on an American 10-key machine) ACTUAL ITEMS appear before they are printed or added. The Friden's Check Window gives trained and untrained operators the confidence to add *without error* on a 10-key machine. Many more step-ahead features.

A Common-Language Business Machine



...FRIDEN'S AUTOMATIC ADD-PUNCH MACHINE

Integrated data processing becomes possible for any size business with this 10-key adding and listing machine with a tape-punch mechanism. Essential selected data are automatically punched on a common-language code tape as items are printed, or printed and added on the adding machine tape. Data interpreted by any machine with a tape readout mechanism — such as card punch machines, typewriters, bookkeeping or communication machines.

Typing-Computing Accomplished Together

...THE AUTOMATIC FRIDEN COMPUTYPER

To meet the widespread need in many businesses for efficient performance of work involving both typing and computing, Friden developed the remarkable Computyper. The Computyper utilizes in combination an electric typewriter and an electric calculating mechanism. This mechanism can be programmed to fulfill automatically any typing or computing requirement.

there's an answer made by

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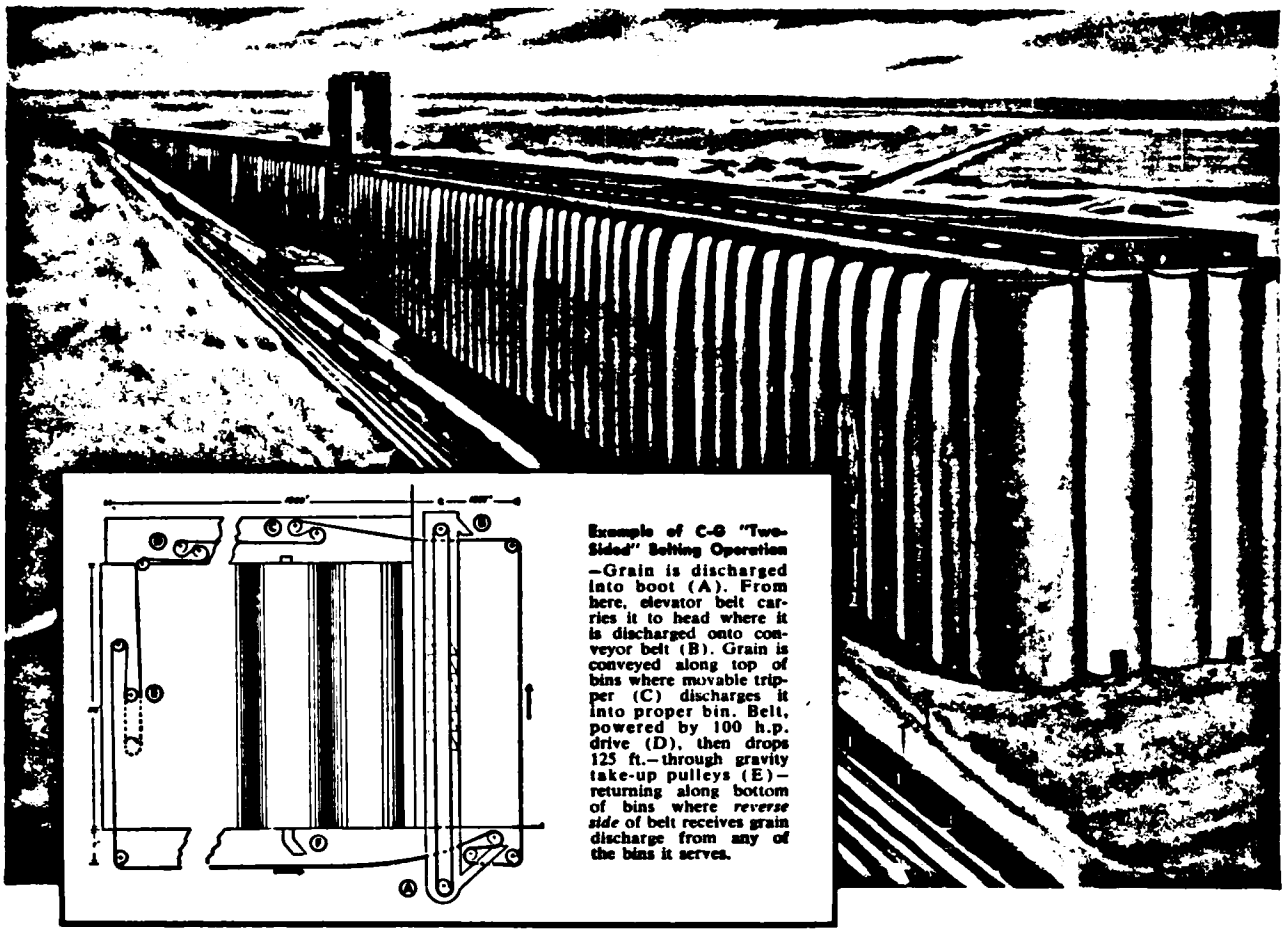
The world's largest grain elevator...



Example of C-G "Two-Sided" Belting Operation—Grain is discharged into boot (A). From here, elevator belt carries it to head where it is discharged onto conveyor belt (B). Grain is conveyed along top of bins where movable tripper (C) discharges it into proper bin. Belt, powered by 100 h.p. drive (D), then drops 125 ft.—through gravity take-up pulleys (E)—returning along bottom of bins where *reverse side* of belt receives grain discharge from any of the bins it serves.

completely equipped with U. S. Rubber Belting—2½ miles of it!

This C-G Grain Company Elevator (Wichita, Kansas) has a capacity of approximately 20 million bushels. But it's not only the capacity that impresses grainmen; it's the cost-saving, "two-sided" efficiency with which the grain is handled.

An ultra-modern belting installation—entirely equipped with "U. S." belting—makes it possible to unload incoming cars, fill storage bins, unload other bins, load outgoing cars and "turn" grain to aerate it—all in simultaneous operations—*each not interfering with the other.* (See diagram above.)

In all, over 12,000 feet of "U. S." belting is used. U. S. Rubber belting engineers designed and built the belt for this revolutionary system, working with the engineers of the grain elevator builder* and the engineers of the conveyor equipment builder. This is the widely-known "U. S." Three-Way-Engineering. *It's a system that always means savings in money and time.*

The belts in this biggest of all grain elevators are of the famous "U. S." cotton-nylon construction. This development increases the tensile strength up to one-third for the same number of plies of standard duck... gives greater troughability to conveyor belts and better bolt holding ability to elevator belts.

For *any* materials-handling problem—large or small—get in touch with any of the 27 strategically located "U. S." District Sales Offices, or write to us at Rockefeller Center, New York 20, N. Y.

*Designed by Chalmers & Borton

Mechanical Goods Division

United States Rubber

MEANING OF CUT IN AUTO OUTPUT

Milder Boom, Few Shortages—Still Lots of Business

Peak of the auto boom is past. Output is being cut. Sights are lowered for 1956.

Reason: Demand for cars, new and used, simply isn't what it once was.

Reduced output of cars will mean smaller orders for steel, glass, rubber, countless other things that go into autos.

What about business in general? Will autos, which sparked the upturn in 1955, lead business down in this period?

Already, there are signs that an adjustment is starting, that the edge is coming off the boom. Still, 1956 as a whole is likely to be nearly as good for business as 1955.

DETROIT

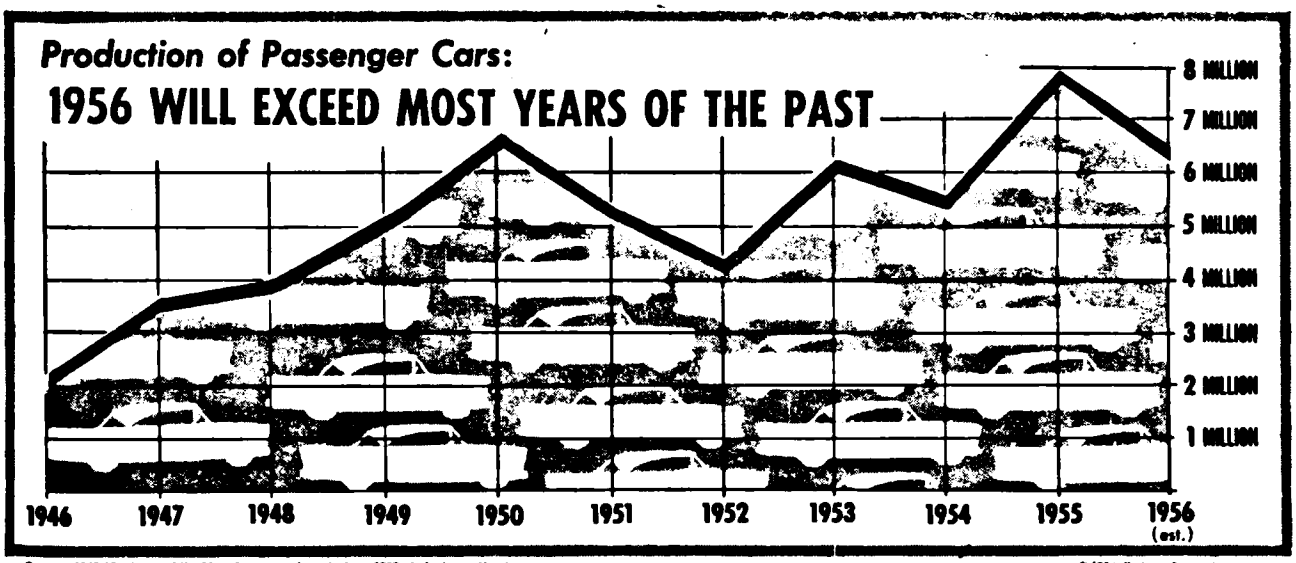
New cars are getting harder and harder to sell. All over the country, 1956 models are backing up in dealers' warehouses and showrooms. Factories are cutting production, starting to lay off workers.

Still, sales lag behind output. Stocks of unsold cars on hand now exceed 800,000. That is more than twice the number held a year ago, and near an all-time high. As a result, more cuts in production, more layoffs of workers are predicted.

The industry's own estimates for 1956 are being scaled down. The prevailing forecast of production this year among automobile men is around 6.5 million. Harlow H. Curtice, president of General Motors, suggests this figure as the year's probable output for the domestic market alone, which would mean a total of roughly 6.7 million. In either case, a big year is promised, one of the three best in the industry's history, but these latest estimates are considerably below the record production of 1955.

As automobile companies cut back, effects fan out everywhere, touch businesses of all kinds. Already, auto firms are reducing orders for steel. Similar cuts are forecast in orders for tires, for parts and accessories, for glass, copper, aluminum, nickel, lead, upholstery fabrics.

Supplies of some scarce materials, notably steel, are expected to loosen up in months ahead. In a few lines, there



Source: 1946-55, Automobile Manufacturers Association; 1956, industry estimates

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[continued]

MEANING OF CUT IN AUTO OUTPUT

may be cutbacks and layoffs to match those in autos. Pressure for price increases in some lines may ease.

A drag on the boom. Trouble in the automobile business is being taken as one more sign that the hectic phase of the business boom of the last year may be nearing an end.

The first major sign came in home building, another bellwether industry. Housing starts have been slipping for four months, are running one fifth below a year ago.

Attention centers on another crucial spot in the business picture—inventory buying by business firms.

Right now, business has more money tied up in stocks of goods and materials than at any time in the past. This investment in inventories has been building up month after month for a year.

With any dip in sales, businessmen will conclude that the time has come to reduce inventories. Then orders to factories and suppliers will be cut, and production will go off.

This is the process that is going on now in autos. If the same process spreads to other lines, then the business adjustment that has been predicted widely for months ahead will be hastened.

Actually, a mild adjustment is being encouraged by official policy. This is the real meaning of Government action to tighten credit.

The signs now suggest that turn from the top of the boom is coming early in this year. The low point could come in the third quarter, with an upturn to follow in the late months of the year. The year 1956, taken as a whole, still promises to be almost as good for general business as the boom year 1955.

Cutbacks in autos. At the moment, it is the automobile business that is being watched.

Chrysler has cut production 10 per cent. Ford's Mercury division has announced an unspecified reduction. Other cutbacks are reflected in layoffs and elimination of overtime in General Motors' Buick, Oldsmobile and Pontiac divisions, Ford's River Rouge plant and other factories and assembly plants.

Layoffs in the auto industry in recent weeks have been an estimated 25,000 out of the total of 550,000 production workers. The 25,000 figure includes 10,350 workers that Chrysler's Plymouth division announced it was laying off in a move to bring output into line with stocks of cars on hand.

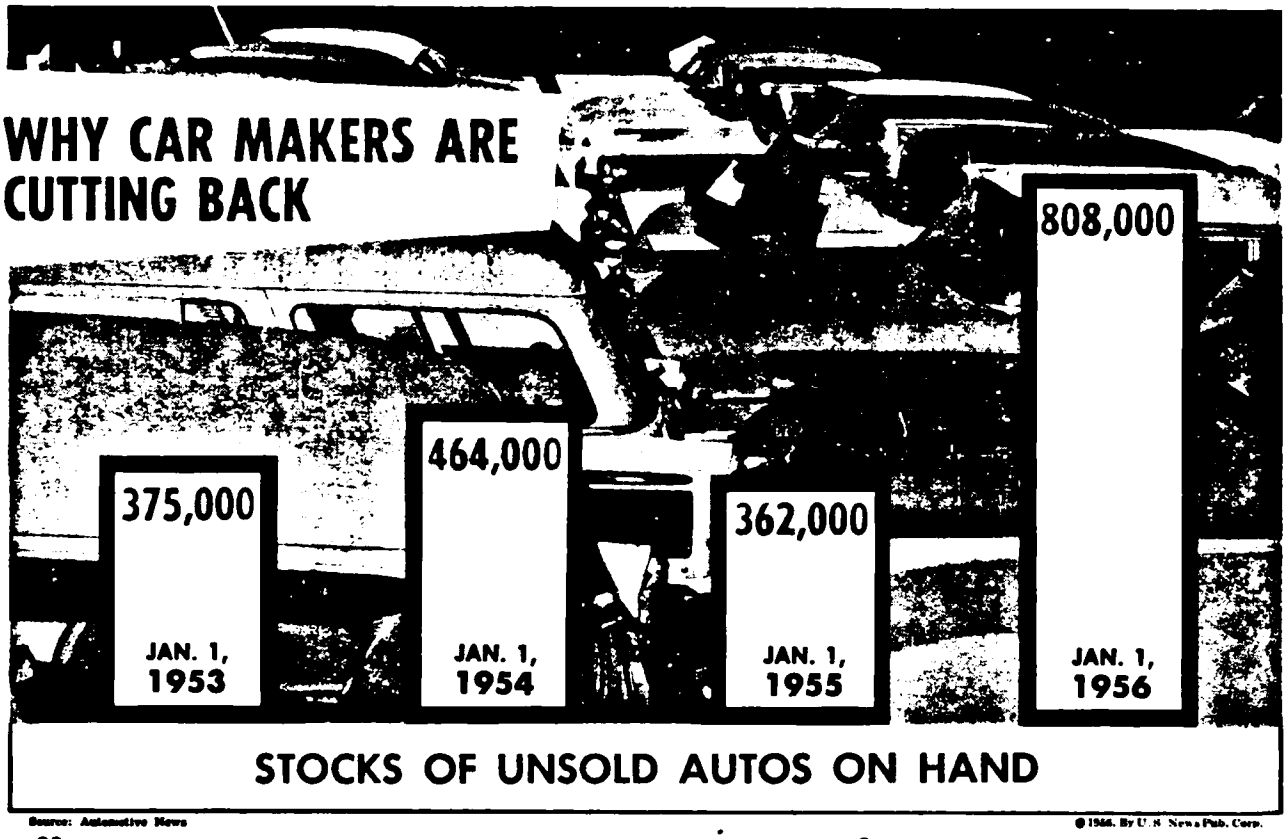
Cutting deeper into auto pay is the elimination of overtime shifts Auto workers averaged 42.8 hours a week in 1955, which meant 2.8 hours of premium overtime pay. A return to a 40-hour week means a drop in pay.

In Detroit, the atmosphere is changed. Gone is the high pressure to turn out every possible car in the competitive battle that led to overproduction in spite of record sales. Production now is geared more closely to current sales than to potential future sales.

Dealers, even so, are plagued by near-record stocks of new cars. At the same time, inventories of used cars are mounting. Prices of used cars are declining. These prices are 26 per cent below what they were three years ago. This makes it tougher for the dealer to give the kind of trade-in allowances his customers have come to expect. With new-car prices up at the factory, the dealer stands to lose money on the same kind of deal he could make even a short time ago.

Gimmicks to sell cars. Many dealers have gone in for razzle-dazzle, giveaways, devices to keep up with the flood of new cars pouring out of the factories.

Offers of "no down payment and 36 months to pay" are common, despite



Source: Automotive News

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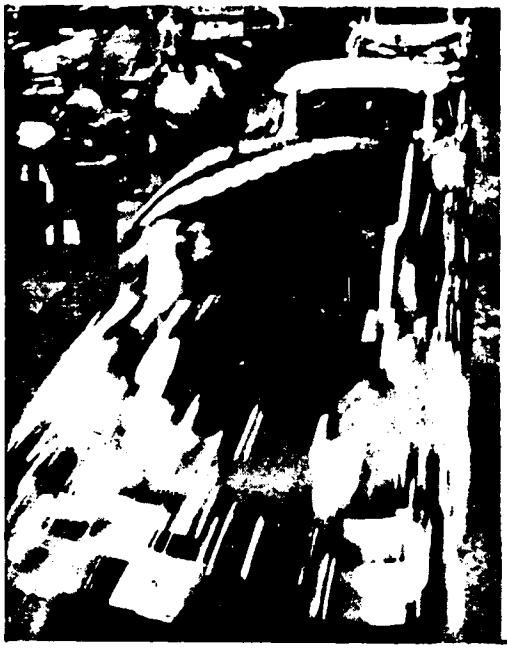
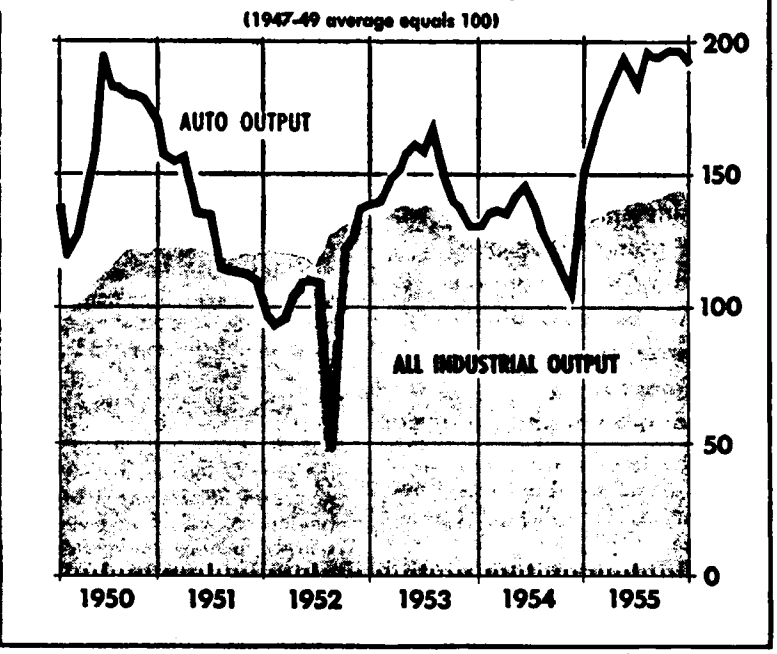
AS AUTOS GO, General Business May or May Not Go





Source: Federal Reserve Board

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Government efforts to tighten credit. Some offer 42 months, a few five years.

A system of "price packing"—that is, jacking up the list price of the new car to allow room for a bigger trade-in offer on the customer's old car—has been used by some dealers. This has not solved the problem. The customer's balance to pay is just as big as if he had been quoted the list price and a lower trade-in allowance in the first place.

Around the country, many dealers report that the 1956 models, with less sweeping changes in design and styling than the 1955s, simply have not generated the public enthusiasm that was apparent when the 1955 models appeared.

The 1955s touched off a buying wave that continued to mount from their introduction right through the normally quiet first quarter of the year into the peak selling season of the spring.

Help from Detroit? Most dealers report that, with the widening gap between new-car prices and used-car prices, they have gone about as far as they can go in using inflated trade-in allowances to entice customers.

Many think the pressure will shift more and more to Detroit—for lower prices at the factory, or else for more car for the money.

To date, there is no promise from Detroit of any cut in prices.

There are preparations, however, to offer new appeals to customers in other ways.

There are reports in the trade that a few of the manufacturers, in an effort to step up sales, will introduce 1957 models earlier this year than usual.

The new models, when they come, will feature major changes in design. This, again, will be an effort on the part of manufacturers to whet the public's demand for new cars.

The trend will be toward lower and longer cars. To help bring the car closer to the ground, tires will be smaller in diameter but also wider, with lower pressure and easier riding.

Air suspension and perhaps other types of suspension will replace springs on many models. With air suspension, the car is cushioned on rubber bellows that perform the same function as conventional springs or the more recent torsion-bar suspension system.

A fuel-injection system, replacing carburetors, is almost certain to get a start in 1957 models, although it will be limited at the outset to a few higher-priced cars. Already in use on racing cars and some foreign cars, the fuel-injection system is said to give greater economy plus some increase in power.

From the standpoint of body design, the big advantage of fuel injection is that it allows lower front-end styling. By eliminating the carburetor and permitting relocation of the air filter, it allows a lowering of the hood by several inches.

While mechanical changes will vary from one make to another, restyling will show up in all the 1957 cars.

A pickup coming? Prior to the introduction of 1957 models, the industry is counting on the approach of spring to give a boost to both new and used cars. Spring traditionally is the peak season for automobile sales.

There is hope, too, for some relaxation in the Government's policy of tight credit, which many have blamed for part of the trouble in automobiles.

Privately, a number of executives in the industry say it still is too early to measure 1956 sales with any degree of accuracy. Some believe there remains a good possibility that the estimate of 6.5 million cars for this year will turn out to be too low.

At 6.5 million, production in 1956 would be the third-highest in history—led only by the 1955 total of nearly 8 million and the 1950 total of 6.7 million. Sales of 6.5 million would be second only to the 7.3 million of 1955.

The industry is reconciled to some throttling back from the record pace of last year. How much throttling back will be one of the important business questions of 1956.

WHAT BUSINESS LEADERS SEE AHEAD

End of Steel Shortage, Some Cut in Autos, Big Expansion in Plants

A change is showing up in the businessmen's view of what 1956 is going to be like.

There is more caution, more talk of a business dip.

However, there is no sound of alarm, no cutting of long-term plans for growth and expansion.

Business leaders are coming to feel that the boom will hit its peak early this year, to be followed by some downturn.

The dip, as they foresee it, will be small and short-lived, nothing to make them cut their plans for bigger and better factories and more new machinery.

This prospect of heavy spending on plants and equipment is counted on to help keep the dip small and pave the way for renewed gains in business. These gains may begin showing up in 1957 or possibly even before the end of 1956, many businessmen believe.

The businessmen's forecasts have changed a bit in recent weeks. Increasing caution is being shown, though no sign of fear.

Fewer new autos. Harlow H. Curtice, president of General Motors Corporation, estimates the auto industry will make and sell 6.5 million new passenger cars in the domestic market this year. That would compare with production of about 7.7 million and retail sales of 7.3 million, exclusive of exports, in 1955.

Mr. Curtice's forecast apparently does not allow for much, if any, reduction in the dealers' record-breaking inventory of new cars. Some other auto men believe production will be reduced a bit more sharply in order to lighten the dealers' load.

For the year as a whole, the nation's total output of goods and services—what the economists call "gross national product"—will surpass the 1955 record in spite of the dip in autos, Mr. Curtice believes. This could be true even if there is a fairly general business setback; production in the first few months is expected to be at or near peak rates.

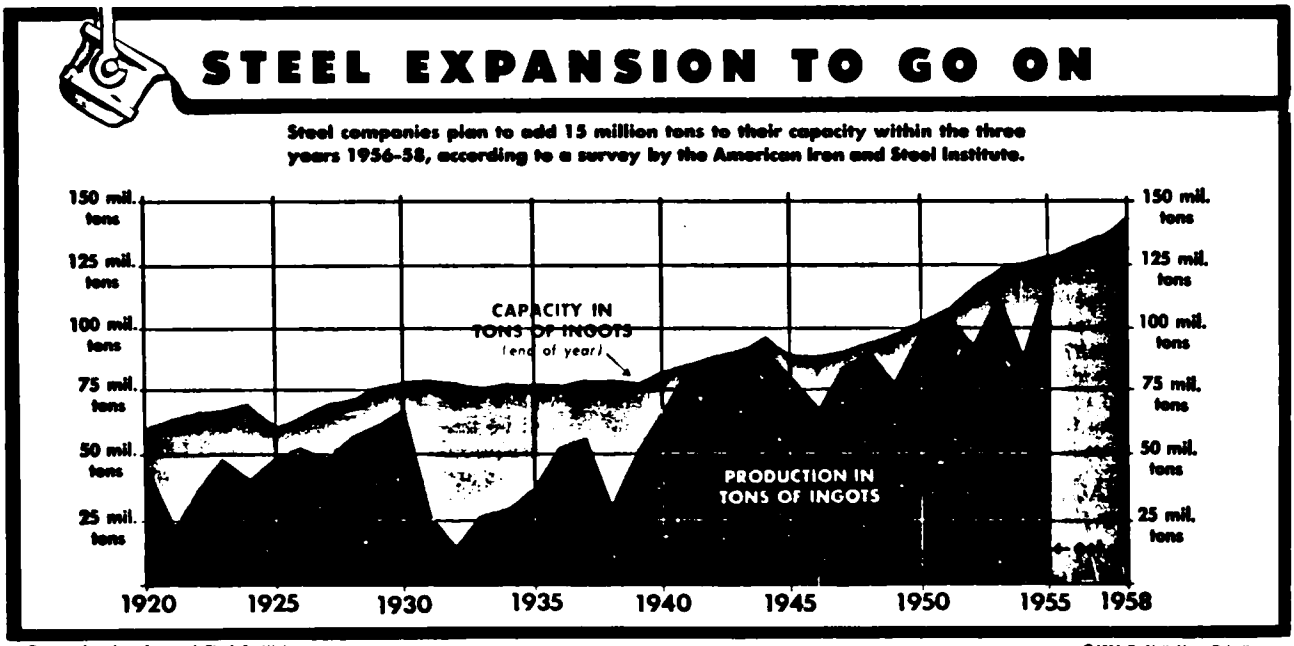
"As I view the longer-range picture, our country is moving steadily toward the goal of a gross national product of 550 billion dollars by 1965," Mr. Curtice says. That compares with the total of a little more than 400 billion which he forecasts for 1956.

General Motors, he noted, is planning to spend about a billion dollars on new buildings and machinery in 1956, compared with about 600 million in 1955.

Steel output: lower. The drop in such an important industry as autos is bound to have repercussions. The chief economist of the United States Steel Corporation is predicting a drop in steel production during the second half of the year.

Nevertheless, the steel industry, including U. S. Steel, is building more plants. A survey made by the American Iron and Steel Institute indicates that steelmaking capacity will be increased 15 million tons or about 12 per cent within three years, at a cost of 3 billion dollars.

What that involves is indicated by the Institute's president, Benjamin F. Fairless: "Companies must again seek new sources of ores, open additional new mines and construct new taconite-processing facilities. New sources of raw ma-



Source: American Iron and Steel Institute

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terials necessitate construction of new railroads and ships. This is in addition to construction of new blast furnaces, steelmaking furnaces, rolling mills and other finishing equipment. . . . There is every expectation that a continuing large rate of expansion will be required for many years to come. . . ."

The decline in auto output also raises a question about demand for tires and rubber. However, only a slight drop in rubber use is expected by Paul W. Litchfield, chairman of the Goodyear Tire & Rubber Company, on the basis of a "conservative estimate."

Cut in houses. A dip in another major industry—home building—now is under way. Leading builders from 30 large cities met in Washington recently and estimated the number of dwellings to be started in 1956 in their communities will total about 7 per cent fewer than in 1955.

If a cut of 7 or 8 per cent holds good nationally, it will mean about 1.2 million housing starts compared with a little more than 1.3 million in 1955.

On a national scale, some builders expect the drop to turn out to be somewhat larger.

Picture on borrowing. Most bankers say people will find it rather difficult to borrow early this year, easier later on. This reflects their feeling that federal policy will change—from fostering tight money, to making money easy—as the year goes on and the boom passes its peak.

Roy L. Reierson, vice president of the Bankers Trust Company of New York, says it would be "surprising if the direction of the economy were to remain upward through all of 1956." As one reason for expecting a dip, he notes that "businessmen are unlikely to keep adding to inventories throughout the year."

Where gains are seen. Despite these problems arising to check the boom, some industries expect to go on gaining.

Richard S. Reynolds, Jr., president of Reynolds Metals Company, predicts: "More aluminum will be used in 1956 than ever before."

A survey made by the National Retail Dry Goods Association indicates the great majority of department-store executives and other merchants expects sales and profits to climb this year.

Increased demand for oil, at least during the early part of this year, is predicted by the Independent Petroleum Association of America.

These optimistic forecasts are also being reflected in plans for investment. Outlays for new facilities for making petroleum products, aluminum, rubber, paper, chemicals and other materials have been scheduled recently.

The view that business faces some setbacks in 1956 is gaining acceptance, but is not being greeted with alarm.

1956 As the Biggest Auto Maker Sees It

Forecast by Harlow H. Curtice, president, General Motors Corporation:

	1956	Change from 1955
Cars to be made in U.S. for domestic use	6,500,000	DOWN 16%
Homes to be started	More than 1,200,000	DOWN 8%
To be spent by business on new plant and equipment	$32 billion	UP 15%
Value of all goods and services to be made in U.S. *(gross national product)*	More than $400 billion	UP 4%

Steel Production in 1956

Forecast by Bradford B. Smith, economist, United States Steel Corporation:

IN 1955, second half, steel companies ran at a rate of 94 per cent of capacity.

IN 1956, first half, steel companies will run at a rate of 95 to 100 per cent of capacity.

IN 1956, second half, the steel operating rate may decline to around 85 per cent of capacity.

Rubber in 1956

Forecast by P. W. Litchfield, chairman, Goodyear Tire & Rubber Company:

IN 1955, the rubber industry used 1,510,000 long tons of new rubber, a record.

IN 1956, the industry, by "conservative" estimate, may use 1,475,000 tons, or 2 per cent less than in 1955.

Source: National Industrial Conference Board

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A Look at the Record—

IKE'S OWN WORDS ABOUT RUNNING

Comments, Hints, Quips May Hold the Answer

Is President Eisenhower going to run again? When will his decision be made? What is his attitude toward his job?

For one full year, Ike has been discussing those subjects. What he has said takes on importance as the time approaches when he will give his decision.

Below are presented his statements that relate to a second term, made at press conferences, on the golf course, in formal speeches and elsewhere. You can read them, and then make up your mind about what they mean in terms of a "yes" or "no" answer to running this year.

President Eisenhower's decision on running or not running again may now be put off until mid-March or later.

The President is permitting his name to go on the ballot in the presidential-preference primary of New Hampshire on March 13. Politicians feel that Mr. Eisenhower would not give specific permission to enter his name unless he intended to delay any formal announcement of his plans until the vote had been held.

Mr. Eisenhower said flatly in a press conference on January 19 that he had not, at that time, made up his mind one way or another on seeking a second term.

While permitting his name to go on the ballot in New Hampshire, the President did say this:

"It would be idle to pretend that my health can be wholly restored to the excellent state in which the doctors believed it to be in mid-September."

He also said this:

"My future life must be carefully regulated to avoid excessive fatigue."

President Eisenhower for a full year, before and after his illness, has been commenting on the job he holds and the prospect that he might or might not seek a second term. So that you can see what the President has said and draw your own conclusions concerning the direction his decision will take, the remarks bearing on this subject are brought together in chronological order in what follows.

How President Likes His Job

On Jan. 19, 1955, at a White House press conference Mr. Eisenhower was asked how he liked his job. He replied:

". . . Like everything else, there is not wholly unmixed blessings in such duties."

On March 2, 1955, at another White House press conference the President was told a Senator had commented that Mr. Eisenhower must run for the Republican Party to win. The President was asked if he thought he was indispensable and how this idea affected his 1956 plans. The President answered:

"Did you ever think of what a fate civilization would suffer if there was such a thing as an indispensable man? When he went the way of all flesh, what would happen? It would be a calamity, wouldn't it? I don't think we need to fear that."

Question of Timing—

At the same press conference the President was asked if he would discuss at the next press conference the pros and cons of running. His response was:

"I would doubt at the next press conference, but I will tell you, if we can have a complete moratorium on it, I might make a date, let's say, a year from today."

On March 16, 1955, at a White House press conference, Mr. Eisenhower was asked if he agreed that his candidacy was necessary for Republican victory. He replied by telling what the Republicans needed:

". . . There is one thing that will bring Republican Party recruits—fine programs for the benefit of all America, and real work in putting them over. Now that is the kind of thing that will certainly bring . . . strength enough to win with anybody that is worthy of a place."

At the same press conference the Chief Executive was reminded that the Pan-American Games will be held in Cleveland in 1959. Mr. Eisenhower commented:

"If I am alive and healthy, I would hope to attend."

On April 27, 1955—21 months before the end of his first term—the President, at a White House press conference, was asked to comment on the approaching tenth anniversary of V-E Day. He said:

". . . Certainly I thought it [May 8, 1945] marked for me, you might say, the end of an active career. I saw a nice farm over the other side of the ocean, and it still is a long ways away, at least. But I really go back. After all, when you are my age, 21 months is still a long time."

On May 4, 1955, at his next White House press conference Mr. Eisenhower was told that his precise reference to 21 months had startled his listeners. He then remarked:

". . . Well, I am aware of what month it is, at least. I am still aware of that."

On May 11, 1955, at a White House press conference the President was reminded that Senator Margaret Chase Smith (Rep.), of Maine, had said she had the impression he would not run again. Mr. Eisenhower commented:

". . . I haven't the slightest idea where she got that impression."

No Love of "Politics"—

On May 31, 1955, at a White House press conference a reporter wanted to know how the President liked the "game of politics." Here is the reply:

". . . In the general derogatory sense you can say that, of course, I do not like politics. Now, on the other hand, any man who finds himself in a position of authority where he has a very great influence in the efforts of people to work toward a peaceful—a peaceful world—toward international relationships that will eliminate or minimize the chances of war, all that sort of thing, of course, it is a fascinating business.

"It is a kind of thing that would engage the interest, intense interest, of any man alive. There are in this office thousands of unique opportunities to meet especially interesting people, because the Government here in Washington has become the center of so many things that, again, you have a very fascinating experience in meeting scientists, people that—leaders in culture, in health, in Government action, and from all over the world.

"There are many things about the office and the work, the work with your associates, that are, well, let's say, at least intriguing, even if at times they are very fatiguing. But they are—it is a wonderful experience. But the word 'politics' as you use it, I think the answer to that one, would be, no, I have no great liking for that.'

On June 23, 1955, in a speech at Concord, N. H., the President treated the subject of a possible second term in a light vein. On a date that would mark approximately the one-third milestone in a two-term tour of duty, Mr. Eisenhower quipped:

". . . There are some reasons [for visiting Concord] not quite so serious in character.

"In my White House staff we have a lecture every morning. The chief of the staff [Sherman Adams, former New Hampshire Governor] has one subject: New Hampshire . . .

"People often ask me what my ideas are on how long I would like a residence at 1600 Pennsylvania Avenue [the White House]. My own thought is: They should ask how long it is going to take Governor Adams to finish up his series of lectures on New Hampshire, because he doesn't seem to be a third of the way through them yet."

A Dropped Hint?

On June 25, 1955, at Berlin, N. H., Mr. Eisenhower dropped what many considered a hint that he was thinking of changing jobs. He remarked:

"I am going to accept this invitation to come back, just as soon as possible—which means certainly as soon as I have another kind of livelihood than I now enjoy."

On June 29, 1955—four days later—at a White House press conference, Mr. Eisenhower was asked about these "teasers" which seemed to relax the moratorium or discussion of the President's 1956 plans. Mr. Eisenhower commented:

"Well, I think you are making an assumption not necessarily true. A man going off where he is trying to have a good time, and if people kid him a little bit he has got to answer in kind."

At the same press conference someone wanted to know whether Sherman Adams would be able to finish "those ecstatic lectures on New Hampshire" for the White House staff. The President suggested Mr. Adams might finish in less than eight years:

"Well, he seems to be generating a very great capacity for doing it in a hurry."

Eisenhower's Latest Comment on 2d Term

President Eisenhower in an address prepared for delivery before a "Salute to Eisenhower" dinner on Jan. 20, 1956, said:

"As we move toward the solution of existing problems, my own future role in our party remains undetermined; whether to be a candidate for your nomination or a worker in the ranks. I could devoutly wish that there were some method by which the American people could, under the circumstances, point out the path of my true duty. But it appears that this is a question that first I alone must answer.

That answer will be forthcoming as quickly as it is firmly fixed in my mind. I trust that it will not unduly reflect concern for self, and I pledge that in whatever capacity I shall serve, I shall support with all my strength the foreign and domestic programs for America that have been the guide of all of us for these past three years. That work must go on to fruition, in the interests of all Americans."

On July 6, 1955, at a White House press conference, the President was asked whether he could refuse to run. He replied:

". . . I think that is a decision I have to reach for myself sometime."

On Aug. 3, 1955, the President received at the White House a delegation of Ohio Republican leaders. Afterward they reported that Mr. Eisenhower told them he likes to see young men given a chance for top jobs. Mr. Eisenhower also reminded the Ohio Republicans that no President in history had reached 70 in the White House. He also spoke of the physical erosion of a man in the Presidency.

On Aug. 4, 1955, at a White House press conference, the President was asked if the Geneva Big Four Conference had made it more or less likely he would run. His response:

". . . If I now were such an infallible prophet that I could

(Continued on page 28)

[continued]

IKE'S OWN WORDS ABOUT RUNNING

understand all about the world situation, the domestic situation, and my own situation, including the way I felt, and possibly with the health and everything else, as of that moment, then there would be no great excuse for deferring the decision. I have not that gift of prophecy."

One Man's Value—

On September 10, at Denver—two weeks before his heart attack—the President addressed 48 Republican State chairmen. They had previously sent him a "We Like Ike Better than Ever" message. Here, in part, is what they learned from their Chief:

". . . What strikes me is this: Governmental service is the temporary privilege of some people . . .

"And, incidentally, while I have been forbidden to mention this subject by your chairman, I will bring up for a moment the question of one man and one man's value . . .

". . . We don't believe for a minute that the Republican Party is so lacking in inspiration, high-quality personnel and leadership, that we are dependent on one man. We don't believe it for a minute . . .

". . . Humans are frail—and they are mortal. Finally—you never pin your flag so tightly to one mast that if a ship sinks you cannot rip it off and nail it to another. It is sometimes good to remember that.

"So I suggest that as a party everybody on down the line pledge to get a new recruit—a youngster—and make him a member of the party . . . If you get a recruit my age, I am lucky if I can vote in two presidential elections. But, if you get a recruit at 21, he can vote for you in 12 or 15 . . .

"So I just ask each one, don't believe in political defeatism. We have got a positive program . . .

"Again, gentlemen, I refer to the telegram you sent me and your expression of confidence.

"To fail to say that I am complimented by such action on your part would be inexcusable. Of course I am. Any American would like to think that he has the confidence of his fellow Americans when he is trying to do a tough job. But, again, I say, this country, this party, is not only big—it overshadows every individual and any individual in it."

On Sept. 13, 1955, Mr. Eisenhower and Dan Thornton, former Governor of Colorado, were playing golf at Denver's Green Gables Country Club. Mr. Thornton watched the President drive the ball 235 yards, then commented to newspapermen: "He couldn't hit 'em like that in Washington." Without specifying whether he meant leaving office permanently or leaving Washington temporarily on a vacation, Mr. Eisenhower smiled:

"It's another reason for getting out, eh Dan?"

On Sept. 24, 1955, the President's heart faltered. Hospitalized, he had nothing to say publicly for more than a month. On Nov. 14, 1955, he arrived at Gettysburg, Pa., for a long rest at his farm. That day on the town square he addressed a crowd as "my future permanent neighbors, I hope" and then added:

"I think that my wife decided back in 1918 . . . before many of you were born, that this was going to be our home upon retirement . . . but she did not give me her decision until later than that. In any event, I am just as delighted as she that you are the people who are going to be our neighbors, God willing.

On Dec. 1, 1955, the President telegraphed the Republican National Committee, meeting in Chicago:

"I shall do everything in my power next year to help you report the record accurately and fully to the country."

The Big Question: Still Unanswered—

On Jan. 8, 1956, Mr. Eisenhower held his first press conference since his heart attack. It came at the end of a Key West, Fla., vacation. He opened it with a statement:

". . . I feel very much better—stronger—and much more able to get about . . . and I am going back tomorrow, I think, as ready to go to work as a person could be, after the physical experience I have been through."

At the Key West press conference, the President was then asked about his political future. He said:

"Naturally I will want to confer with some of my most trusted advisers [later identified as James C. Hagerty, his Press Secretary, and Milton Eisenhower, his brother], and this particular thing has not been greatly talked about by me with my own people up to date."

The President was asked whether his mind was yet made up. He answered:

". . . As of this moment I have not made up my mind to make any announcement."

A barrage of related questions was then leveled at the President. In answering them, he made these statements:

"The Presidency is probably the most taxing job on the—as far as tiring of the mind and spirit. But it also has, as I have said before, its inspirations which tend to counteract each other . . . There have been times in war when I thought nothing could be quite as wearing and taxing as that with lives directly involved. But I would say on the whole, this [the Presidency] is the most wearing, although not necessarily the most tiring."

• • •

"I have them [factors involving a decision] all marshaled in the proper order in my mind. And one of them is a sense of duty. But where does the sense of duty point, and who determines what the duty is? That is a very tricky question."

• • •

"As quickly as my own mind is made up, either as to making a statement or as to the proper moment to make a statement, I will tell you people very frankly. I have nothing to hide here. I am certainly not trying to be coy. I just think that it is something that is not settled just in a brief offhand conversation."

• • •

"I will do it [make a statement] as soon as I feel that the whole thing is completely clarified and that I can say where the path of duty is, and, as someone pointed out, as always, all other factors should indicate the answer to be."

• • •

"I have done many things in the past because I didn't

have that sense of fatigue—and I have to be careful of myself."

• • •

"It is a very critical thing to change governments in this country at a time that it is unexpected—we accustom ourselves and so do foreign governments, changing our Government every four years; but always something happens that is untoward when a government is changed at other times. It is a rather startling thing."

• • •

"Hard work is not only a very, very fine thing for most humans but keeps them healthy. But there's also things happen to the human body that after all maybe a man isn't described fully as healthy, and then there's another calculation to make."

• • •

"No. My mind at this moment is not fixed. If it were, I would say so right here this second. But my mind is not fixed to such an extent that it can't be changed."

• • •

"I don't think we have to go by that exact date [the March, 1956, date for an announcement, set on March 2, 1955]. Maybe we can go past it—never tell."

Ike Offers No Objection—

In his January 19 press conference, the President read a telegram he had just sent to a New Hampshire State official. It was a reply to notification that his name would be entered in New Hampshire's primary. Mr. Eisenhower wrote:

"I do not feel that I should interpose any objection to such entry.

"However, because I must make clear to all that lack of objection cannot be construed as any final decision on my part relative to a candidacy for a second term in the office I now hold, I hope that all who vote in the Republican primaries in 1956 will carefully weigh all the possibilities and personalities that may be involved.

"Freedom to select, nominate and elect a candidate to public office is basic to our American political system. Because I deeply believe that every citizen should have the widest possible choice in expressing his own preference in such matters, I would hope that the accident of my illness and the necessary period for determining the degree of my recovery would not have the effect of interfering with the privilege of every member of our party to express his preference for the presidential candidate of his choice.

"It would be idle to pretend that my health can be wholly restored to the excellent state in which the doctors believed it to be in mid-September. At the same time, my doctors report to me that the progress I am making toward a reasonable level of strength is normal and satisfactory. My future life must be carefully regulated to avoid excessive fatigue. My reasons for obedience to the medical authorities are not solely personal; I must obey them out of respect for the responsibilities I carry."

At the same press conference, Mr. Eisenhower was asked if his health was up to carrying the burden of the Presidency. He replied:

"I think that with the—by following closely, as closely as I can, the regime the doctors laid down that so far I have gotten by very well."

The President was asked if he objected to entry of his name in any primary. He replied:

". . . I am not going to make any official objection, certainly . . ."

For the full text of President Eisenhower's press conference of January 19, see page 94. An aricle on Governor Herter of Massachusetts, who has been prominently mentioned as a possibility for the Republican nomination in case Mr. Eisenhower does not run, appears on page 90.

—USN&WR Photo

MR. EISENHOWER AT HIS FIRST WASHINGTON PRESS CONFERENCE IN FIVE MONTHS
"I hope that all who vote in the Republican primaries in 1956 will carefully weigh all the possibilities"

High there!

That's Mr. Charles Goodfellow, one of our Trust Company officers up there. It's not often that you'll find him with his feet off the ground, but this time he needed some spot information in a hurry. So there he is up in the library stacks of our Investment Research department.

Mr. Goodfellow has had long and careful training for his job in our Investment Advisory department. He came to us from Dartmouth in 1932, and later majored in investments at the Rutgers Graduate School of Banking.

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Acheson vs. Dulles:

WHEN 2 SECRETARIES OF STATE DISAGREE ON POLICY—

Behind all the furor about U. S. and "the brink of war" . . .

Remember, this is an election year. Democrat Dean Acheson has opened fire on Republican John Foster Dulles just as Mr. Dulles opened up on Mr. Acheson four years ago. They were in opposite roles then.

This article gives you the background of what is going on.

Dean Acheson, Secretary of State under President Truman, is having more and more uncomplimentary things to say about the policies of his successor, John Foster Dulles, Secretary of State under President Eisenhower.

Mr. Dulles, earlier, had many uncomplimentary things to say about the policies of Mr. Acheson, who preceded him in this high office. More recently—since the Acheson criticism began—Mr. Dulles has been going into considerable detail about his own approach to foreign policy.

In the discussion lies a basis for a debate on foreign affairs between Republicans and Democrats in this campaign year. Mr. Acheson, who remained silent during the first three years of Republican rule, is now pinning his criticism of Mr. Dulles to what he regards as basic differences between the parties. Mr. Dulles, as the present director of foreign policy, speaks for the Eisenhower Administration.

The criticism by Mr. Acheson of the Dulles policies preceded by several weeks the article in *Life* magazine of Jan. 16, 1956, that praised the present Secretary of State and quoted Mr. Dulles as saying:

"You have to take chances for peace, just as you must take chances in war. Some say that we were brought to the verge of war. The ability to get to the verge without getting into the war is the necessary art. If you cannot master it, you inevitably get into war. If you try to run away from it, if you are scared to go to the brink, you are lost. We've had to look it square in the face—on the question of enlarging the Korean war, on the question of getting into the Indo-China war, on the question of Formosa. We walked to the brink and we looked it in the face. We took strong action."

Discussing this quoted paragraph a few days later, Mr. Dulles said, "There are basic moral values and vital interests for which we stand, and the surest way to avoid war is to let it be known in advance that we are prepared to defend these principles, if need be, by life itself."

Added significance is being attributed to the two statements when they are read in connection with the things Dean Acheson has been saying in recent weeks.

In an article in *Harper's Magazine* last November, Mr. Acheson made a number of critical observations on the way Mr. Dulles conducts foreign affairs. The article is a chapter from Mr. Acheson's recent book, "A Democrat Looks At His Party." The book itself is likely to take on the role of a campaign document in the months to come.

In the *Harper's* article, Mr. Acheson quoted Mr. Dulles as having said a basic decision of the Eisenhower Administration was "to depend primarily on a great capacity to retaliate, instantly, by means and at places of our choosing."

"This," wrote Mr. Acheson, "is almost a classic illustration of the way a leader among free nations should not proceed."

He recalled that Dienbienphu, in Indo-China, fell to the Communists four months after Mr. Dulles spoke of a policy adapted for instant retaliation, and then said:

"In addition to its other faults, it was a failure."

Mr. Acheson implied that it was the Democratic Administration that laid the base for whatever foreign-policy successes Mr. Dulles may claim.

"The years since 1952 in American foreign policy," he wrote, "are not notable for the quality of the ideas generated. Policy has coasted on the momentum of past initiative. . . ."

And in another passage:

". . . It is one thing to speak of having 'seized the initiative' and quite another to know what to do with it. The stream of ideas, of imaginative thinking had dried up [under the Republicans]. The power of energetic action seemed to have been lost."

Critical remarks. On January 12—about the time the *Life* article on Mr. Dulles began attracting world-wide attention—Mr. Acheson spoke to the Women's National Democratic Club in Washington and had some more uncomplimentary things to say about the Dulles approach to foreign affairs. This talk was extemporaneous and unrecorded, but some of Mr. Acheson's remarks were taken down by those present.

The former Secretary of State was quoted as calling the present conduct of foreign policy "hucksterism." Another quotation:

"Our strength is ebbing instead of waxing. . . . If we go on as we have been doing, we'll come to the ultimate slogan of 'weakness is strength.'"

The growing criticism of present American policy in relation to the out-

Eden's Way: H-Bombs To "Deter" Enemies

BRADFORD, England

In a speech at a Conservative Party rally here on January 18, British Prime Minister Sir Anthony Eden said:

If there is less fear of world conflict today this is due to the deterrent of nuclear weapons. Remove the deterrent, or take risks in pretending that it is not there, and the world outlook would be terrifying indeed.

The justification of both the atomic and hydrogen bombs is that they are deterrents, so awful that no country will risk their use against itself. It is, therefore, true that the danger of world war should decrease unless an aggressive-minded nation gets it into its head that the bomb will not be used against it, whatever it does.

It becomes increasingly unlikely that any country possessing the hydrogen bomb would deliberately use it against a rival power that owns it also. We intend to own it also.

[continued]

MR. DULLES VS. MR. ACHESON

–Wide World

SECRETARY OF STATE DULLES
. . . was critical in '52

side world encouraged high officials to find a means of reply. The article in *Life* magazine, praising Mr. Dulles and reporting on current American policy, is now regarded as part of that reply.

It is being pointed out by both Republicans and Democrats that the tendency to find fault with the State Department and its chief is nothing new in an election year, despite persistent talk of "bipartisanship" in foreign affairs.

Attacks on Acheson. Another campaign year was 1952, when Dean Acheson was under severe criticism. In that year, and later, various critical remarks about the foreign policy of the Democrats were attributed to Mr. Dulles.

For example, Mr. Dulles has said he had as much to do "as any other single person" in choosing the language of the foreign-policy plank of the 1952 Republican platform. That plank includes these passages about the State Department under Mr. Acheson:

- "Those in control of the party in power have, in reality, no foreign policy. They swing erratically from timid appeasement to reckless bluster."
- "The present Administration, in seven years, has squandered the unprecedented power and the prestige which were ours at the close of World War II."

Row over "containment." The platform said a Republican victory in 1952 would "mark the end of the negative, futile and immoral policy of 'containment' which abandons countless human beings to a despotism and godless terrorism . . ."

Mr. Acheson was generally regarded as an architect of the "containment" policy which was supposed to keep the Communists bottled up in their part of the world until their regimes collapsed.

Early in 1953–shortly before he succeeded Mr. Acheson as Secretary of State –Mr. Dulles appeared before a Senate committee that was considering his appointment to the Cabinet. There, Mr. Dulles said this about the Acheson foreign policy:

". . . A policy which only aims at containing Russia where it now is, is, in fact, an unsound policy; but it is a policy which is bound to fail because a purely defensive policy never wins against an aggressive policy. If our only policy is to stay where we are, we will be driven back. . . ."

–United Press

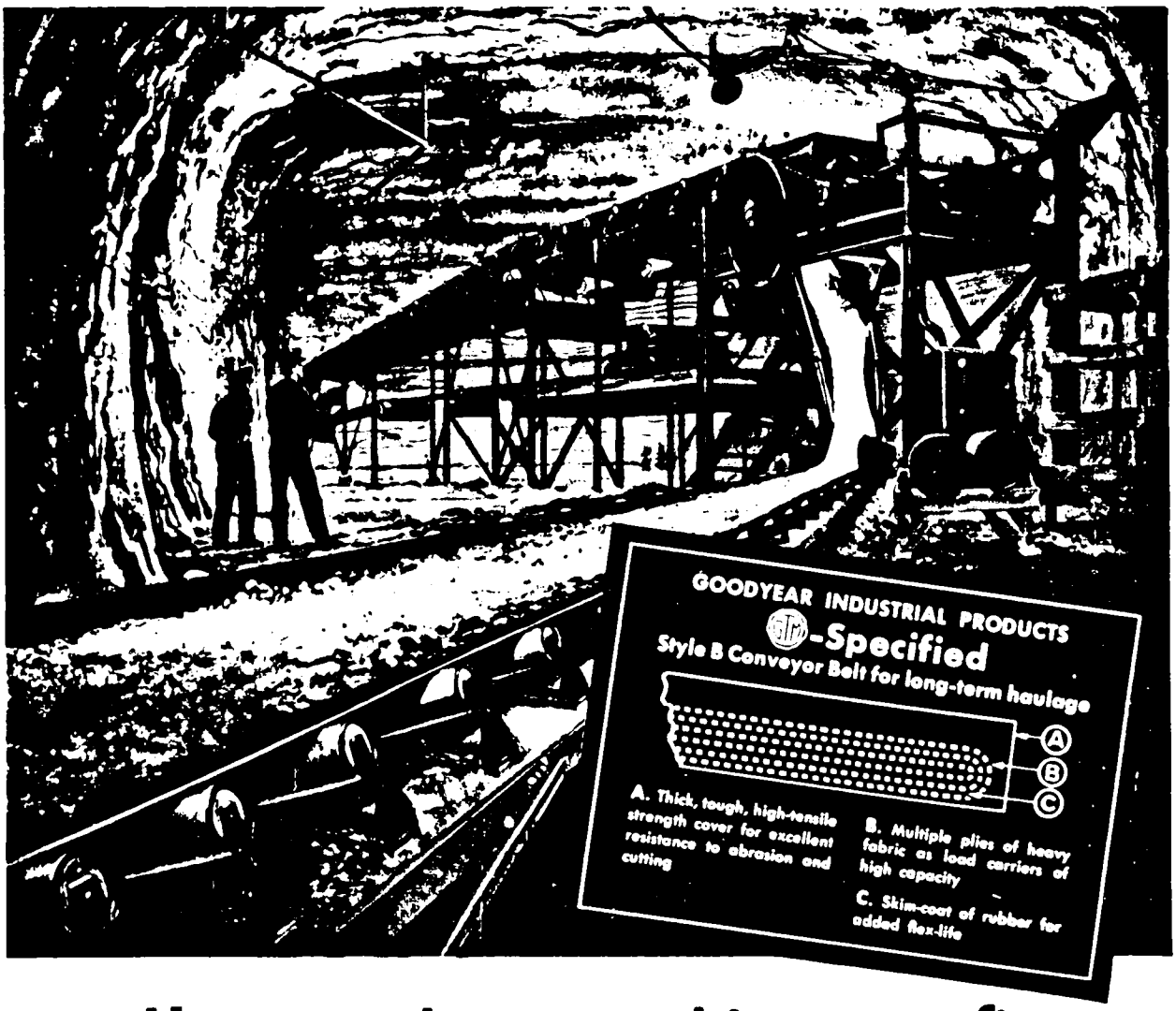
FORMER SECRETARY ACHESON
. . . is critical in '56

Just as in 1952, debate between Republicans and Democrats over which party knows best how to fit the U. S. into its role as No. 1 power of the free world will grow as this campaign year advances. In many quarters, the two magazine articles–one by Mr. Acheson and the other quoting Mr. Dulles–are regarded as the opening round of the 1956 debate.

Full text of the Life and Harper's articles and of the "verge of war" section of Mr. Dulles's January 17 press conference–page 126.

–United Press

FIGHTING FOR DIENBIENPHU: TEST OF AMERICAN POLICIES?
To Mr. Acheson, its fall proved a "failure" of Mr. Dulles's diplomacy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How to salt away a bigger profit

It's early in 1948. You're an engineer at one of the world's largest underground salt mines. And you're a little uneasy.

You have just supervised the replacement of mine cars by a system of conveyor belts to move the salt some 3500 feet from primary crusher to skip-hoist. These belts were installed on *your* recommendation as the most economical means of haulage.

Based on a careful cost analysis made with the help of the G.T.M.—Goodyear Technical Man—you're pretty sure you're right. But there's always that question only time and experience can answer.

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It's smart to do business *with your Goodyear Distributor. He can give you fast, dependable service on Hose, V-Belts, Flat Belts and many other industrial rubber and nonrubber supplies. Look for him in the Yellow Pages under "Rubber Goods" or "Rubber Products."*

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STANDARD, OVERDRIVE, AND AUTOMATIC

WHY YOUR TAXES WILL STAY HIGH

Spending Trend Is Up Again—No End In Sight

The country now gets a promise of something that has been rare in recent history—a balanced federal budget.

In 21 of the last 25 years, Government has run in the red.

But the new budget calls for the biggest spending program in peacetime history. The time has passed when officials worry about big spending and big debt. Both clearly are here to stay.

Black ink is showing on the books of the Federal Government for the fourth time in 25 years. Red ink, rather than black, has showed on the books of the Eisenhower Administration in three of its years in office.

An entry in red that appeared on June 30, 1931—during the Administration of Herbert Hoover—started the long period of red entries at the end of the Government's bookkeeping years. Over a period of 12 years in office, Franklin D. Roosevelt never ended an accounting year with his books balanced. Harry S. Truman, in nearly eight years of office, used black ink only three times to close the Government's books.

Dwight D. Eisenhower started his term in office midway in a fiscal year. Red ink showed on the books in that year—1953. It showed also in the fiscal years of 1954 and 1955, as the chart on pages 36 and 37 shows. But Mr. Eisenhower intends to complete this term in office with a black entry. He figures that there will be a surplus of 200 million dollars over and above expenditures in a spending budget of 64.3 billion dollars. In the year after this, ending June 30, 1957, President Eisenhower again expects black ink instead of red ink to be used in the final entries, with incomes to exceed outgo by 400 million dollars in a budget of 65.9 billion.

The state of business will determine whether Mr. Eisenhower's expectation is realized. Red ink will return to the Government's books if one of two things happens. If taxes are cut, as many in Congress expect them to be, a red-ink entry will appear on the books for the year ending June 30, 1957. If taxes are not cut but business should decline only moderately, there would be a return to red ink. If both should happen, then the red-ink entry would be larger.

Balancing the Government's books has proved difficult over a quarter of a century, whether the size of that budget was only moderately large or whether it was very big, whether the country was at peace or at war.

The use of red ink started in 1931 when President Hoover offered a budget of only 3.6 billion dollars. Red ink continued to be used when the budget grew to 9 billion dollars during the first two terms of President Roosevelt. During World War II, when spending jumped to as high as 98.7 billion, the red-ink figure once soared to the astronomical height of 57.4 billion. That was in the 1943 fiscal year.

Debt was 16.2 billion dollars when it started to rise in the 1931 fiscal year. By the time war replaced the New Deal in 1940, debt had climbed to nearly 43 billion dollars. Through all of this period of rise, much concern was expressed about the growing national debt. At one time, high officials debated whether the nation could stand a debt of 50 billion without running into serious inflation.

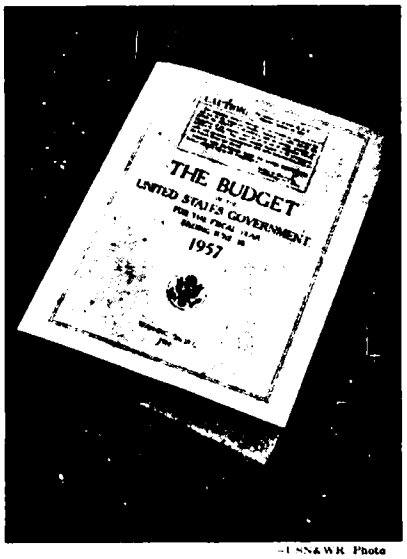
By the end of World War II, red-ink entries had pushed the debt from 43 billions to 269.4 billions.

Money borrowed but not spent in World War II was used to reduce the debt to 258.3 billions. In fiscal year 1948, President Truman wound up the year with a whacking surplus of 8.4 billions and used some of it to reduce the debt to 252.3 billions. Then came Korea and more unbalanced budgets.

Mr. Truman turned over to President

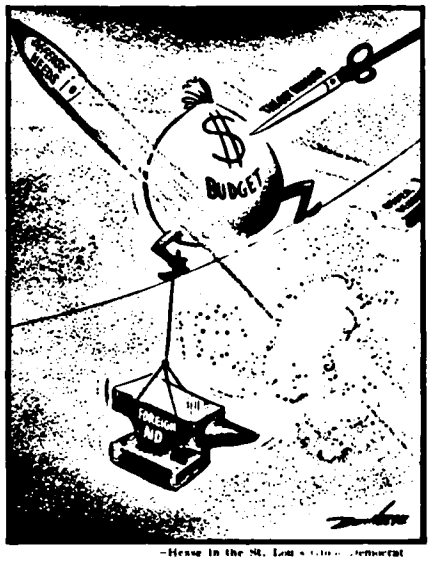
—Talburt for Scripps Howard Newspapers

"DON'T ANYONE SNEEZE!"



—U.S.N.&W.R. Photo

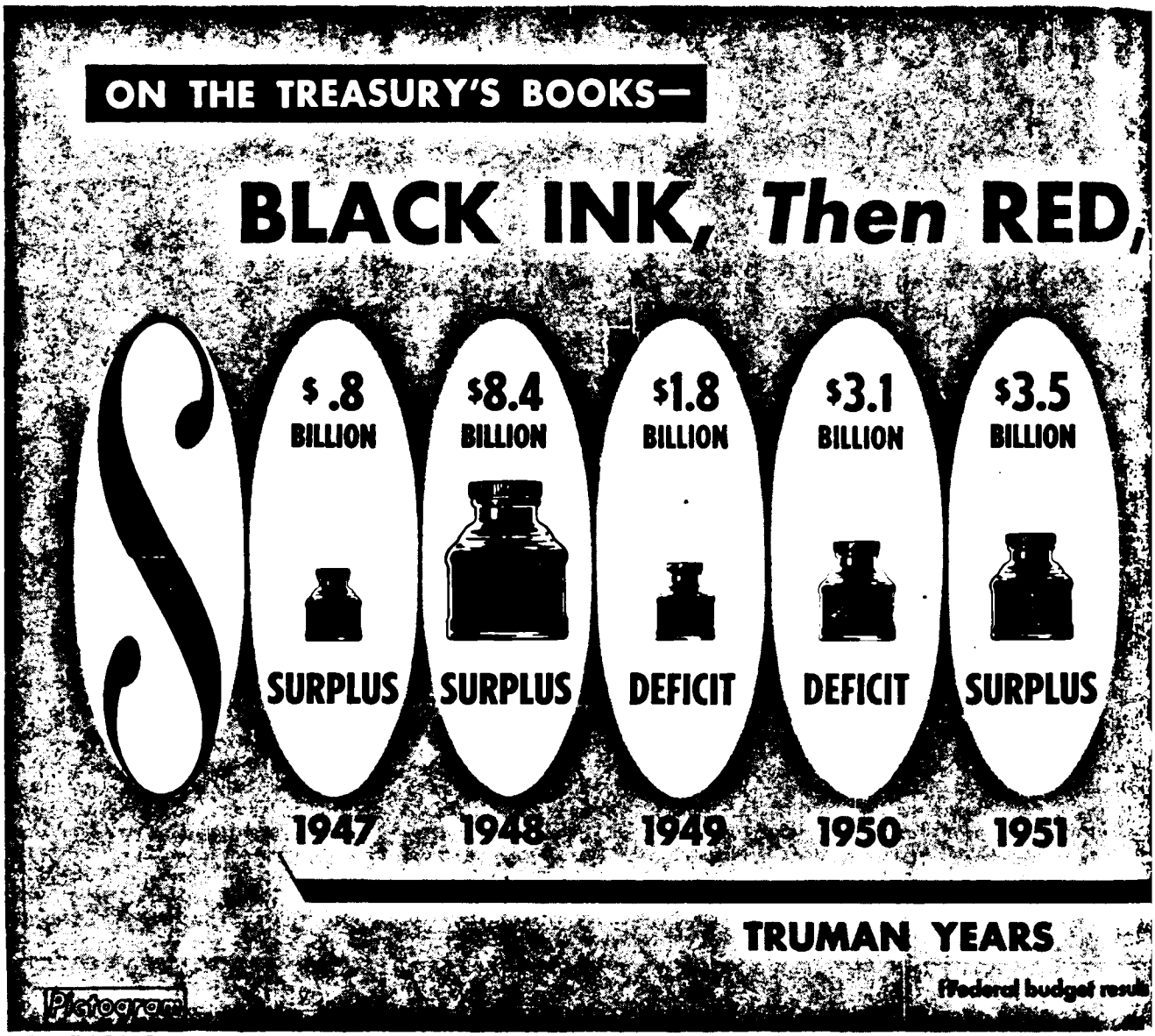
THE U. S. BUDGET



—Hesse in the St. Louis [illegible]

"BALANCING ACT DE LUXE"

The state of business can mean the difference between red and black ink



Source: U. S. Budget Bureau

Eisenhower a budget that was expected to be out of balance by 9.9 billion dollars. Mr. Eisenhower managed to shave that figure to 3.1 billion. But, in the first three years of the Eisenhower Administration, red ink prevailed and, by June 30, 1955, the debt stood at a new high of 274.4 billion dollars. Now, in what may be the last full year of the Administration, debt reduction is held out as probable.

Tax cut vs. debt reduction. Over this period of 25 years, the official attitude toward red ink and toward Government debt has changed. The change in attitude extends to Republican officials as well as to Democratic officials.

In the past, officials each year talked of starting to cut down the public debt in the year that was to follow. Now officials suggest that, if black ink replaces red ink in any substantial amount, it will be better to reduce taxes than to reduce debt.

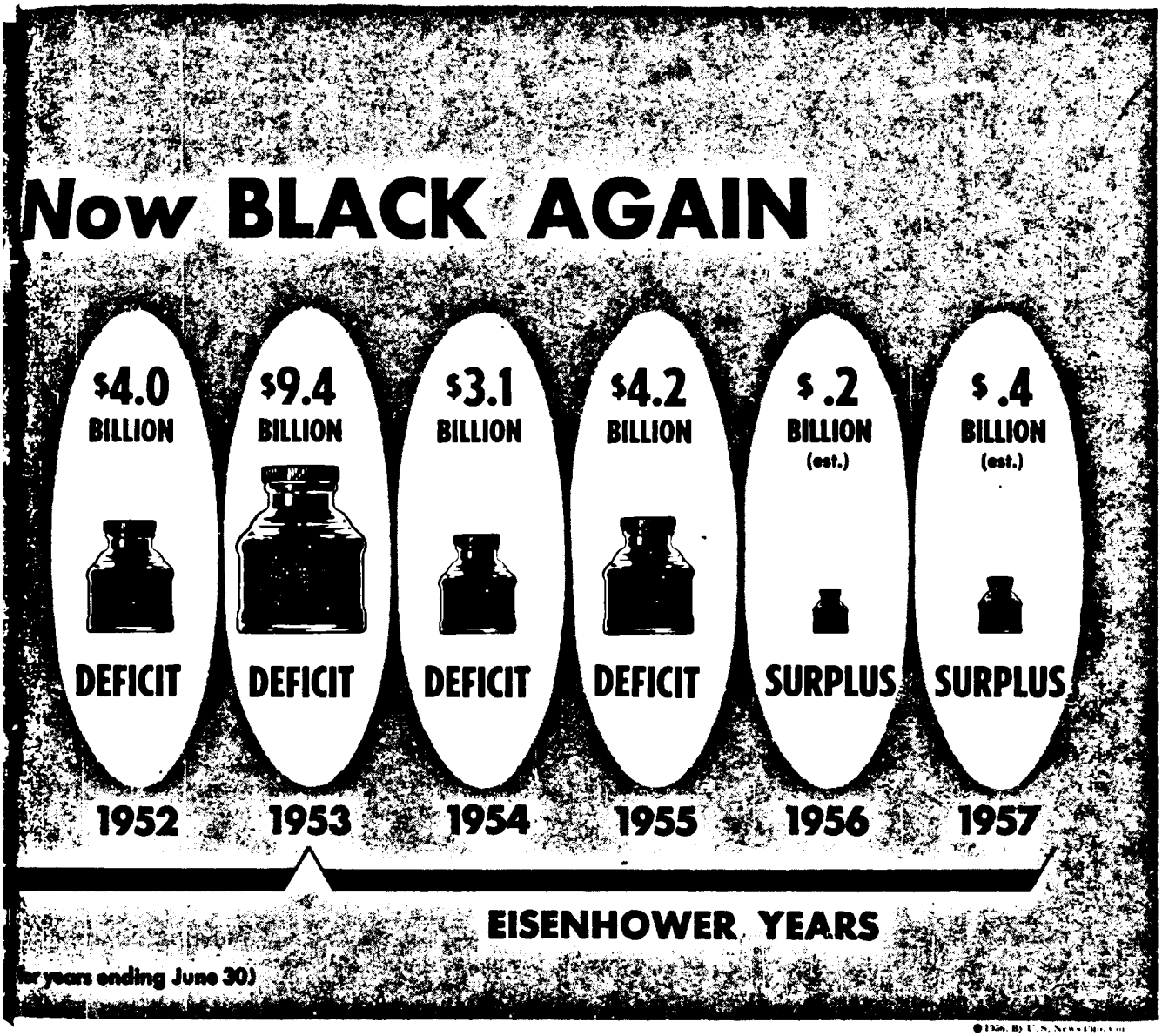
Big debt, in other words, is accepted by leading officials of both parties. There is even opposition to large-scale reduction of debt on the ground that the result would reduce the money supply and bring on hard times. Debt at a level somewhere near the present is regarded officially as rather desirable. So a return to black ink on any large scale is not to be expected.

The answer to the oft-repeated question about when a start is to be made toward cutting down the debt is: Probably never.

Spending on a huge scale also is accepted as inevitable. A Republican Administration, after reducing expenditures following the Korean war, now is increasing them. The Administration sees black ink in the budget for the current fiscal year and the next one only because revenues are expected to increase, not because spending is to be cut.

Mr. Eisenhower managed to reduce spending from 74.3 billions in the 1953 fiscal year—the year the Korean war ended—to 64.6 billions in the 1955 fiscal year. He expects to shave this to 64.3 billions in the present year, ending June 30, but plans to raise the outlay to 65.9 billions in the year that begins July 1. The President, in effect, is telling the country that he has economized about as much as he can, and that people should get accustomed to annual federal spending of around 65 billion dollars a year.

The table on page 38 shows how the Administration intends to spend this huge



sum of money. The budget, in fact, may even understate the expenses now planned. Only a beginning is made on federal aid to school construction and nothing is budgeted for a new highway program to be financed with federal funds. The farm program, too, is likely to be more costly than Mr. Eisenhower now estimates.

National defense accounts for the biggest volume of spending. Mr. Eisenhower, in the year to come, wants 35.5 billions for the Army, Navy and Air Force. That's 1 billion more than he is spending in the present period.

The increase requested for military spending is to go into guided missiles and the added costs of operating this country's far-flung air bases, land bases, radar sites and other installations.

The budget also is advising Congress and the people that military and economic aid to friendly countries is becoming a permanent program. The Administration wants 4.3 billion dollars for this purpose, compared with 4.2 billion in each of the last two fiscal years.

A costly debt. Next to defense, plus foreign aid, the largest single expense of Government is interest on the large public debt. This is put at 7 billion dollars for the year ending June 30, 1957, compared with 6.9 billion in the current fiscal year and 6.4 billion for the year ended June 30, 1955.

The mounting cost of paying interest on the public debt arises from policies adopted by Government. The debt itself is not scheduled to rise in the year ahead, but the rate of interest that the Treasury must pay on its obligations is rising. And the reason why interest rates are higher is that Government is following a policy of making money tighter and more expensive to borrow.

Government also is saddled with permanent obligations to veterans and for social welfare. These costs, in the 1957 fiscal year, are set at nearly 7 billions. They have shown a rising trend that is not expected to change.

Actually, the Budget Bureau reports that 86 per cent of the huge budgets now being carried are due to heavy costs of national defense and long-term obligations that the Government has accepted. That is still another way of explaining that Government spending programs are going to continue to be large.

For new programs—price tags. The Government proposes further to under-

What Ike's New Budget Shows

	1955	1956 (years ending June 30)	1957
	Actual	Official Estimate	Official Estimate
INCOME	(IN MILLIONS)		
Personal income taxes	$31,650	$33,555	$35,118
Corporation taxes	18,265	20,300	20,300
Excise taxes	9,211	9,894	9,887
Employment taxes (net)	581	320	290
Estate and gift taxes	936	1,025	1,120
Customs	606	690	700
Miscellaneous receipts	2,566	2,505	2,805
Tax refunds	−3,426	−3,789	−3,920
TOTAL NET INCOME	$60,390	$64,500	$66,300
OUTGO			
Military services	$35,532	$34,575	$35,547
Foreign military aid	2,292	2,464	2,500
Atomic, other national-security programs	2,802	2,428	2,723
Economic aid abroad	1,927	1,726	1,792
Other international programs	254	327	316
Aid to veterans	4,457	4,793	4,879
Welfare and Social Security	1,847	2,031	2,091
Housing programs	210	41	−41*
Education and research	377	341	484
Aids to farmers	4,411	3,376	3,364
Power dams, other natural resources	1,081	1,045	1,031
Transportation, communication	1,725	2,103	1,900
Finance, commerce, industry	−366*	−64*	91
Civil defense and disasters	54	102	122
Labor programs	328	395	420
General Government	1,201	1,611	1,757
Interest on debt	6,438	6,875	7,066
Reserve for contingencies		100	225
TOTAL OUTGO	$64,570	$64,270	$65,865
	$4,180 DEFICIT	$230 SURPLUS	$435 SURPLUS
PUBLIC DEBT (on June 30)	$274,374	$274,300	$273,800

*Net of income over outgo.

Source: U. S. Budget Bureau

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take new programs that will add to spending in future years.

The new "soil bank" in the farm program is expected to cost 400 million dollars in the fiscal year ahead. That cost is likely to increase in the future if it becomes a permanent part of farm policy. For the program as a whole, the budget estimates no increase in 1957 over the 3.4 billion dollars being spent in the present fiscal year. The Administration expects increased receipts from sales of surplus commodities and larger repayments of crop loans to offset the added cost of the soil bank. It remains to be seen, however, whether this goal can be reached.

The new school-construction program is to start with an outlay of 150 million dollars. This program faces hurdles because of the school-segregation issue, but the pressure is great for federal aid to public schools. In the years ahead, it appears likely that school aid will become a continuing cost for the Federal Government.

The Government also proposes some new construction projects. The budget outlines five developments of river basins, a plan to deepen and improve connecting channels on the Great Lakes and federal participation in development of water resources. The initial cost of these programs is moderate, but they will continue to require money from the Treasury for several years to come.

Later—billions for roads. In the works, too, is a highway program that is not included in the budget. Congress is expected to approve a plan this year that will commit the Government to spending billions of additional dollars in years ahead.

The budget proposes, too, that the Federal Government step into two new fields that may run into considerable future costs. One proposal promises federal aid to chronically depressed areas, such as textile centers and coal-mining districts. This assistance is not expected to require more than 10 million dollars in the 1957 fiscal year, but in coming years the outlay may be higher. The second proposal calls for the Government to join with States in some kind of program for flood insurance, at an initial cost of 25 million. Any large-scale plan of flood insurance probably would run i. to substantial figures.

The Federal Government, in fact, now acts as a major support to the country's business activity. There are no signs that big government and big budgets ever will be reduced on any significant scale, or that any substantial repayments are likely to be made on the towering national debt.

For a size-up of the impact of defense spending on business, see page 40.

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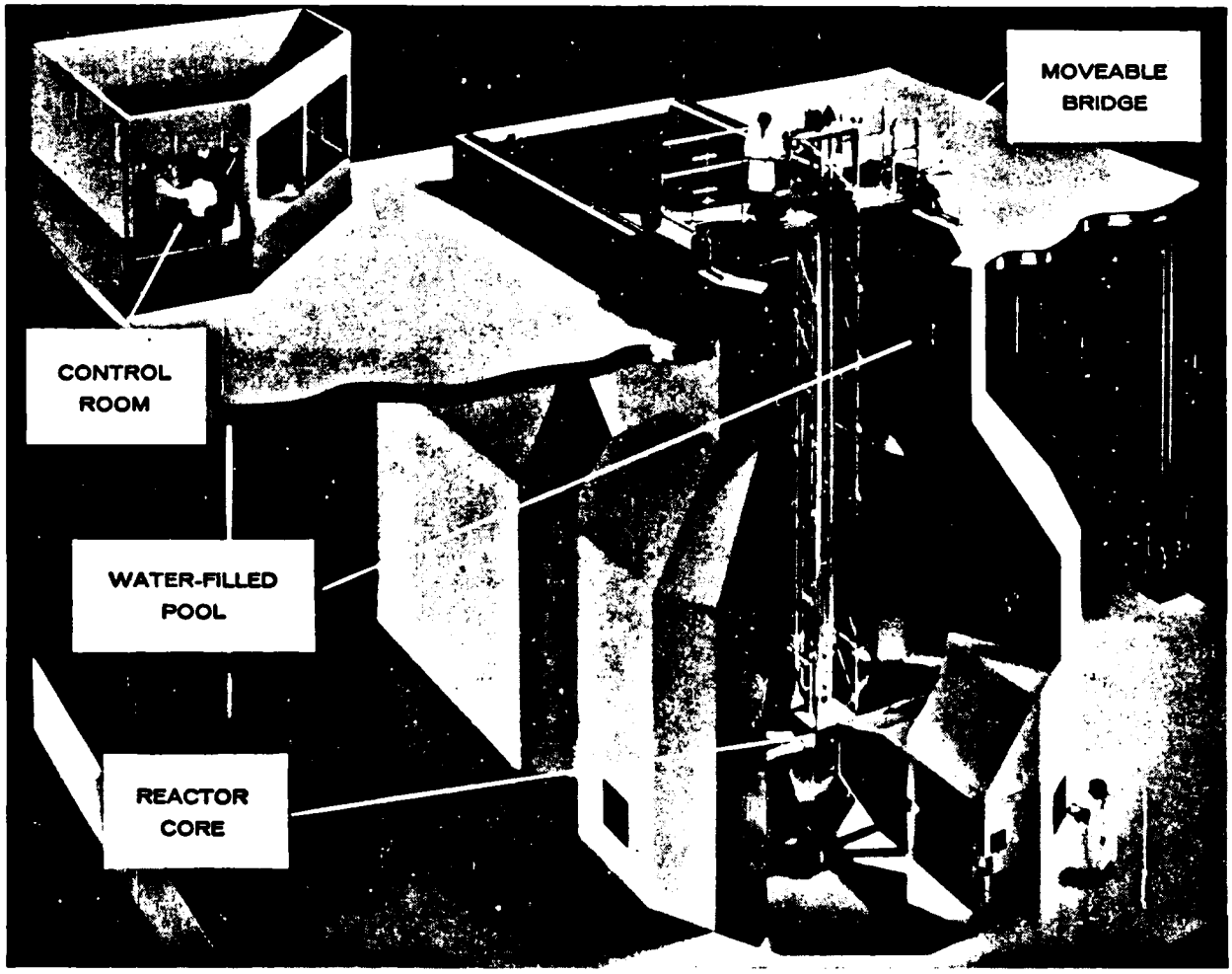

Cutaway of Bendix nuclear research type reactor model displayed at Atoms For Peace Conference, Geneva, Switzerland.

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WHO'LL GET THE DEFENSE DOLLARS

$40 Billion to Flow All Through Business

Despite all efforts to cut the next arms budget, defense spending is set to stay high. The prospect:

Pattern is to shift, with fewer guns, vehicles, bullets to be bought, but more missiles, electronic gear, superfast planes.

Total outlay for defense, however, is to go up a billion, to 40.4 billions, in plans now approved by the White House.

Orders that will flow to business from the armed services are going to be at least as big in total during the year that starts next July 1 as they are in this year.

There will be 11.7 billion dollars in "major procurement" alone by the three services, on the basis of budgeted spending. That is just about the same amount as is being spent for major defense items in the year to end June 30.

Over all, the total spending for national defense—including military aid abroad and atomic-energy outlays—is going to reach 40.4 billion dollars, if approved budget plans are carried out. That is nearly 1 billion dollars more than is being spent this year.

More for missiles. While businessmen will do an immense amount of defense business in the year that starts next July 1, the pattern of that business will be changing.

Spending for aircraft is to be 6.75 billion dollars, compared with 6.9 billion in the present year. That is a stable figure. However, there will be a sharp rise in spending for guided missiles. The aircraft industry will get a large share of this additional business, which will reach 1.3 billion on the basis of present plans. That is an increase from 918 million this year and 631 million in the year before. Guided-missile expenditures are on the way up.

The same is true of purchases of electronic equipment such as radar, although at a slower pace. Scheduled for spending in this field is 745 million.

At the same time, there will be a sharp curtailment in purchases of combat vehicles from the automobile industry. In the last budget year, spending for those vehicles reached 739 millions. This drops to 309 millions in the present year and is scheduled to fall to 191 millions in the year ahead.

You get the basic details about who will get the 40 billions, as outlined in the budget just released, from the charts on these pages.

Atomic outlays rising. Here you will notice that spending on atomic-energy programs continues in a sharp rise. Hydrogen weapons now join atomic bombs in quantity production. There is no sign of a letdown in this field. Military stockpiling of raw materials, however, is tapering off fast.

Military personnel will have about the same amount to spend. Pay and allowances will total 10.3 billions for those on active duty, 520 millions for those on the retired list. The number of people in U. S. military uniform, which declined somewhat this year, will rise slightly in the year ahead, from 2,814,000 in mid-1956 to 2,840,000 in mid-1957 as plans are now drawn.

Much of the multibillion-dollar foreign aid scheduled for the year ahead also represents spending with industry in this country. The level of that spending is set to rise somewhat in the coming budget year, just as it did in the current year.

Military spending, over all, is becoming a major stabilizing factor in the economy. Out of the huge federal budget in all its phases, defense accounts for about two thirds of the billions to be spent. There is no sign that this will grow less in years ahead.

Changing emphasis. Just how the pattern of this spending is to shift in the year ahead can be seen by a closer look at the plans of the individual services.

The Army, for example, expects to increase considerably the number of its units armed with new weapons, such as batteries of Honest John missiles. It will also step up its purchases of Nike antiaircraft missiles, to convert an increasing number of present antiaircraft-gun battalions to antiaircraft-missile battalions.

The Army also plans to increase the number of its airborne divisions from two to three, raising the need for aircraft and airborne equipment of all kinds to be purchased from industry. There is to be a big increase, too, in the number of helicopters to be bought and assigned to Army units next year. At the same time, purchases of conventional weapons, ammunition and vehicles will be cut, as more of the Army converts to new equipment.

In the Navy, there is the same kind of shift to new types of equipment to be bought. Orders for conventional gear will

Money for the Armed Services: AIR FORCE GETS THE LION'S SHARE

Years Ending June 30:

	1955 (Actual)	1956 (Est.)	1957 (Est.)
ARMY	$ 8,899 million	$ 8,510 million	$ 8,582 million
NAVY	$ 9,733 million	$ 9,435 million	$ 9,565 million
AIR FORCE	$16,407 million	$15,960 million	$16,535 million

Note: Figures do not include Defense Department overhead or interservice activities.

Source: Defense Department

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be cut back, while new orders during the year include 12 guided-missile destroyers and frigates, six atom-powered submarines, a supercarrier, and the first atom-powered surface warship—a guided-missile cruiser.

In addition, the Navy will pour dollars into converting 10 more ships for radar-picket duty offshore, and will begin the conversion of five more light cruisers and a submarine to use guided missiles as their basic armament. One escort carrier, as another example, will be converted to a "helicopter assault ship."

Air Force of 137 wings. It is the Air Force, however, that is to get the biggest increase in new-style equipment from industry during the budget year ahead. The USAF is scheduled to complete its planned build-up to 137 wings then. By the end of the spending year, in mid-1957, all of the combat wings except those with B-36 heavy bombers will be jet-equipped. And conversion of B-36 wings to the new long-range B-52 jet bombers will be stepped up during the year.

The Air Force also plans to increase the number of early-warning squadrons for the continental-defense system, calling for more of this type of equipment. The number of Matador pilotless-bomber squadrons is to be increased substantially during the year, too.

A major effort is to be made to rush the big, 5,000-mile Atlas supermissile to completion at the same time, with the help of much of the aircraft and electronics industry.

New emphasis is planned, as well, for a rapidly expanded continental-defense system. The number of big installations for radar across the U.S. is to be increased. Radar networks across Canada in two now incomplete lines are down for more intensive construction. A large number of "Texas Towers"—radar installations off the U.S. coasts—are to be ordered and built. So are radar-equipped early-warning aircraft and picket ships for better off-shore coverage.

Cuts for some items. The major increase in defense orders, in other words, is to be in the fields of guided missiles, radar and other electronic equipment, supersonic aircraft, and new forms of combat equipment using atomic power or missile weapons. These big increases will about offset planned decreases in ammunition, conventional weapons, tanks and trucks. "Soft goods," such as food and clothing for military personnel, will continue to be bought at about the same rate.

Despite all the efforts to cut this country's next defense budget, in other words, the present high rate of defense spending with industry is planned to be maintained, with some shift in emphasis but no cut in the total outlay.

Where Defense Money Goes

Years ending June 30:

	1955 (Actual)	1956 (Est.)	1957 (Est.)
	(IN MILLIONS)		
Pay & allowances	$11,062	$10,835	$10,856
Operations & upkeep	$ 7,905	$ 8,351	$ 9,100
Major procurement:			
Aircraft	$ 8,037	$ 6,880	$ 6,751
Ships	$ 1,009	$ 955	$ 1,032
Guided missiles	$ 631	$ 918	$ 1,276
Combat vehicles	$ 739	$ 309	$ 191
Support vehicles	$ 297	$ 146	$ 135
Artillery	$ 16	$ 72	$ 48
Weapons & ammunition	$ 664	$ 1,174	$ 878
Electronics & communications	$ 637	$ 671	$ 745
Production equipment	$ 631	$ 435	$ 375
Other major procurement	$ 335	$ 265	$ 288
Military reserves	$ 717	$ 863	$ 1,087
Research & development	$ 1,397	$ 1,370	$ 1,430
Other military spending	$ 1,453	$ 1,333	$ 1,355
Military aid abroad	$ 2,292	$ 2,464	$ 2,500
Atomic energy	$ 1,857	$ 1,715	$ 1,945
Stockpiling	$ 802	$ 475	$ 335
Defense-plant expansion	$ 143	$ 238	$ 43
TOTAL DEFENSE OUTLAYS	$40,626	$39,467	$40,370

Source: Defense Department

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"New Look" Hits Europe's Defenses

Switch Started From Big Armies to Atoms, Rockets, Missiles

Idea of massive land armies to defend Europe against Soviet attack is being scrapped by North Atlantic Treaty chiefs.

They see a quick, nuclear war, launched through the skies, as the threat now. It can make the old-style NATO obsolete.

New goal: a shift in emphasis from coastal defenses, combat-ready reserves and field troops to a speed-up in modern arms.

PARIS

A radical overhaul of America's first line of defense in Europe—the North Atlantic Treaty Organization—is getting under way now to meet the combined threat of a nuclear war and guided missiles.

The original idea of huge ground armies, conventional antiaircraft, artillery and coastal defenses is regarded as out of date. Instead, NATO commanders are moving to get their forces lined up for a "push button" war. This is their plan:

• With the exception of West German units still to come, active ground forces and conventional air power will be expanded no further by NATO.

• European naval forces face recommendations for substantial cuts.

• All military manpower among the European allies is to be trimmed. Cuts already are under way in Britain, Belgium and Greece, as in the United States.

• Stockpiling of heavy equipment and ammunition for 56 NATO reserve divisions—most of them still on paper—will be stopped. Supplies on hand will be added to the war reserves of the 40 active divisions now in being.

• Production of many types of conventional weapons will be halted. Coastal and antiaircraft artillery units in Europe will be largely dismantled or converted for guided-missile operations.

To strip down to nuclear fighting trim, some allied countries already have started tightening up on the military.

Britain has eliminated its Antiaircraft Command and transferred the 45,000 men involved. The reason: Modern strategic bombers fly at altitudes and speeds that conventional "ack-ack" cannot reach.

Eighty per cent of the British Territorial Army—the national guard—is to be dismantled. This reserve force of 10 divisions and support units was built up after World War II at great expense. Now two of the divisions—fully equipped and ready to move to the Continent on short notice—will be kept intact to meet a NATO commitment. The others will be lightly armed forces for home defense.

Norway is getting ready to abandon the coastal defenses of Oslo and those along the southern coast, freeing 5,000 artillerymen for other tasks. Studies showed that the huge guns in fixed emplacements would be useless against an atomic attack, so they will be dismantled.

Turkey has given up its plan to obtain an aircraft carrier and has retired its only battleship, a pre-1914 model.

Italy has abandoned a plan to organize 50 support battalions by 1958.

Greece is reducing its Army. It has given up trying to get together five active and 11 reserve divisions—the original NATO goal. Now the Greeks are concentrating on four active divisions.

All of these changes are in line with a new strategic concept in NATO of how the next war will be fought. As the NATO commanders see it:

• World War III, if it comes, will be fought with nuclear weapons from the beginning. It will be a short war. The decisive phase will be over in a few days probably, a few weeks at the most.

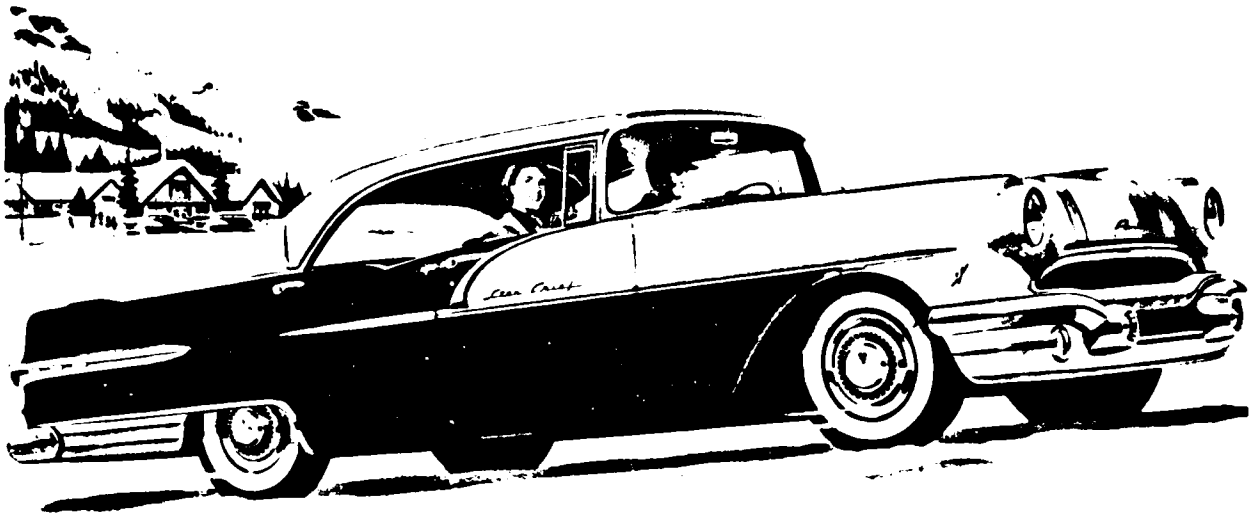
• During this period cities will be leveled, communications destroyed and civilian life horribly disrupted. There will be no time to train reserves, produce new weapons or assemble stockpiles.

• The immediate job is to get the defense systems of NATO countries stripped

(Continued on page 45)

—Department of Defense

HONEST JOHN ATOMIC ROCKETS ARE BEING OFFERED TO U. S. ALLIES IN EUROPE
. . . also pilotless planes, racks for A-bombs



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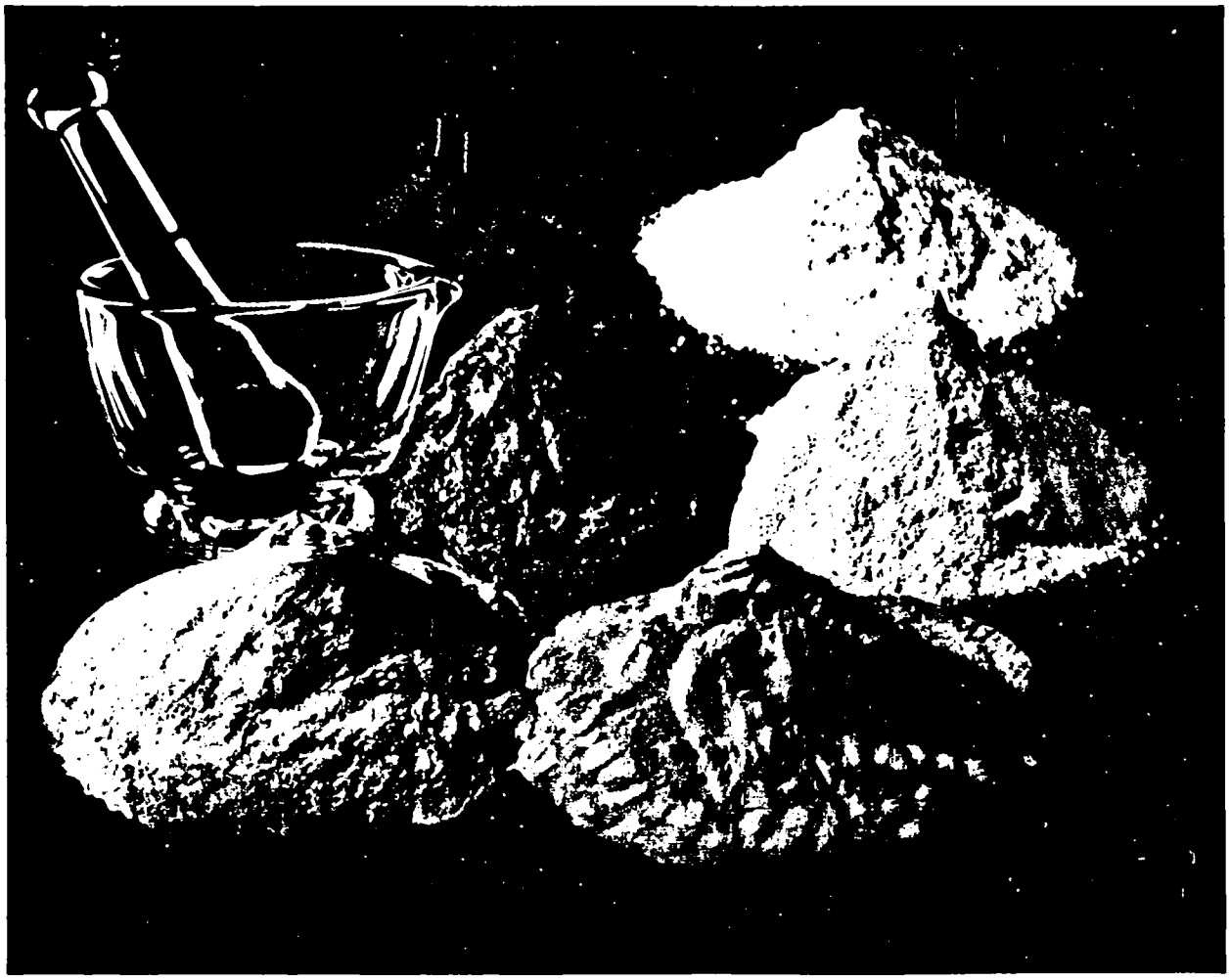

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White, lead-gray, yellow, red, copper, or tin-like in color, these little piles of powder have one thing in common. They're literally "gold dust" to numerous manufacturers because they help them give you so many *better* things.

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A remarkably white pigment, *titanium dioxide*, makes possible the sparkling beauty of your refrigerator, the enduring whiteness of your home, the pastel shades for your car. Glidden is one of only four producers of this pigment which is so important to such growing industries as plastics, paint, paper, rubber and ceramics. Yellow and red *cadmium pigments* add the beauty of their fade-proof colors to everything from wallpaper to your leather purse.

And then Glidden makes *copper, lead and tin powders* that become a wide variety of small parts for your car, your appliances, as well as many other products, with better performance at lower cost to you.

To meet growing demand, Glidden is doubling its titanium dioxide production with a new plant at Baltimore and is continuing to expand its metal-powder facilities. So this Glidden division, through the chemistry of metals and their transformation, is growing rapidly with the rapidly growing industries it serves.

Memo to Management: You are invited to write for specific data on products of our Chemicals-Pigments-Metals Division—or for our illustrated booklet describing our activities in the fields listed below. The Glidden Company, 1323 Union Commerce Building, Cleveland 14, Ohio.

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[continued]

"NEW LOOK" HITS EUROPE'S DEFENSES

down, equipped with modern weapons and otherwise made ready.

When you look inside this new strategic concept you see what Gen. Alfred M. Gruenther, NATO commander in Europe, and his staff are up against.

NATO, suddenly, is getting a new lease on life. A letdown in European defense efforts has been halted by Soviet trouble-making around the world and by Russian talk of hydrogen-explosive power and of international missiles.

However, present defense budgets barely cover maintenance costs of existing forces. There is little margin to finance expensive new equipment. There is no likelihood of bigger appropriations, country by country. American military aid, running at more than a billion dollars a year, can fill only part of the gap.

In this circumstance, NATO chiefs are trying by persuasion, as much as anything else, to get the Allies to concentrate their available military resources on projects for an entirely new type of warfare. Studies are now under way at Supreme Headquarters of the Allied Powers in Europe to determine where the ax will fall.

One difficulty is that the shift to nuclear strategy has to be on a voluntary basis. Nations are required neither to ask nor to take advice from Supreme Headquarters. However, practically every Allied nation needs and wants advice on its atomic reorganization—and the advice each gets will have teeth in it.

Here is an example of the type of "persuader" that will go with "advice":

At a NATO meeting in December the U. S. and Britain offered to provide their European allies with a wide variety of new weapons, including guided missiles and other nuclear-delivery systems—everything but the atomic warheads themselves. They offered to license some of these weapons for manufacture in Europe.

Weapons mentioned included the Nike ground-air missile, the Honest John atomic rocket, the supersonic Corporal atomic missile, the Matador pilotless A-bomber. NATO fighter bombers will be equipped with atomic-bomb racks and their pilots trained to deliver atomic bombs.

Meanwhile, the U. S. promised that the Nike, not yet in Europe, and additional numbers of atomic missiles will be sent to American forces in Europe to bolster NATO armies. Six Corporal battalions will arrive before April. Two U. S. guided-missile cruisers will be in the Atlantic by summer.

All these offers were accompanied by a warning from Charles E. Wilson, U. S. Secretary of Defense: The volume of new weapons that the U. S. will provide, or help Europeans make, will depend on the degree to which NATO's military "advice" is followed and forces modernized.

Behind all these moves is the new defense strategy in Western Europe, a concept military men here call the "strategy of nuclear deterrence."

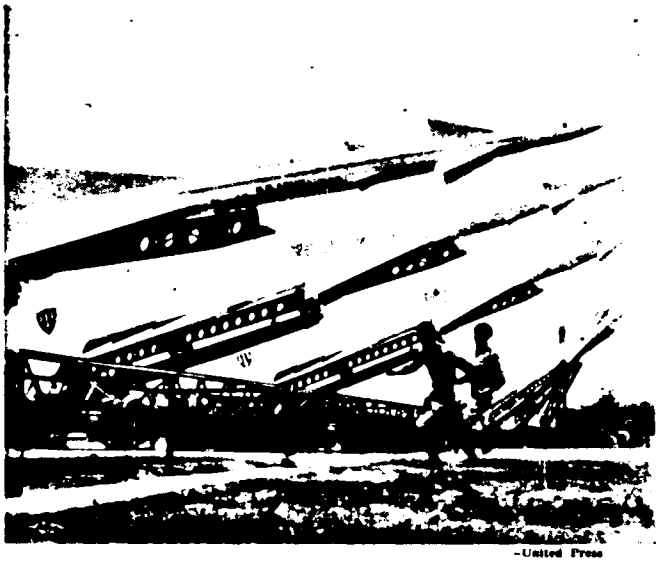
The chief instrument of that strategy—the U. S. Strategic Air Command—is considered in a high state of readiness. A ground shield of land forces is in place to prevent an enemy from rapidly overrunning the European continent. Fifteen active divisions man the vital front between the Baltic and the Alps. A tactical air force of more than 6,000 planes—many equipped to drop atomic bombs—is ready.

A major weakness remains in the exposure of NATO air power to sudden destruction in a surprise attack. But a dispersal program is getting started. Military planes now concentrated on a relatively few airfields will be spread out.

The sum of all this is not regarded as absolute security against Soviet attack. It is far short of the 96 divisions and the 11,000 warplanes once considered to be vital for the defense of Western Europe.

But, as top NATO commanders see it: The sum of Western strength so far has been sufficient to dissuade the Russians from launching a big war. If plans to rescale NATO for guided missiles and nuclear combat can be carried out, Western Europe's "deterrent power"—the power to convince an enemy that he cannot afford to start a war—should continue to grow.

A drastic revision of forces, equipment, tactics, war plans, mobilization systems and arms production is in the works at Supreme Headquarters. It requires that everything NATO owns be restyled, rebuilt and "rephased" for a new strategy of nuclear warfare. By the time the change-over is completed, defense forces in Europe will bear little resemblance to the NATO of a year ago.



—United Press

COMING IN: BATTERIES OF NIKES
Push-button weapons, new keystone of defense

—Keystone

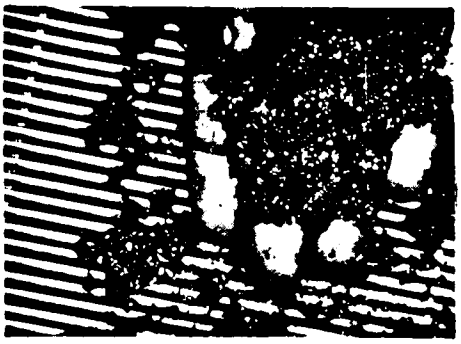
. . . GOING OUT: MEN WITH GUNS
Britain, Belgium, U. S. are reducing numbers

Only STEEL can do so many

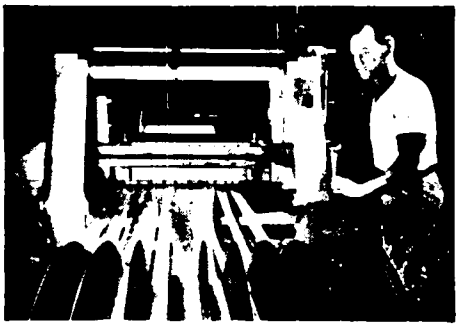
Let it Snow. This eye-popping "Sno-Freighter," built by one of our customers for Alaska Freight Lines, Inc., operates in Alaska—over snow, ice and bull-dozed trails. Each wheel in the 6-unit train is driven with its own electric motor. The 7-foot-high tubeless tires are 38 inches wide at the base, and the Sno-Freighter can wade through 6-foot-deep water without damage. USS steels played an important part in this amazing machine, including USS Shelby Seamless Tubing for the vital car coupling system.

jobs so well

Beautiful—And Safe. This handsome boat is possibly the safest pleasure boat ever made. With welded construction, gasoline and bilge areas can be completely separated, eliminating the most common cause of boat disasters: fire. The boat is made from USS COR-TEN Steel, which is much stronger and more resistant to corrosion than carbon steel.



Coal Laundry. Did you know that most coal is thoroughly washed before it is used? After washing, it is de-watered by passing it over Stainless Steel screens like the one shown here. The Stainless is smooth, and it outlasts ordinary steel three or four times.



Slit It Yourself. In this customer's plant, USS Galvanized Steel Sheets are being slit into strips, which in turn will be formed into moulding channels. The galvanizing won't flake off, despite the extreme deformation.

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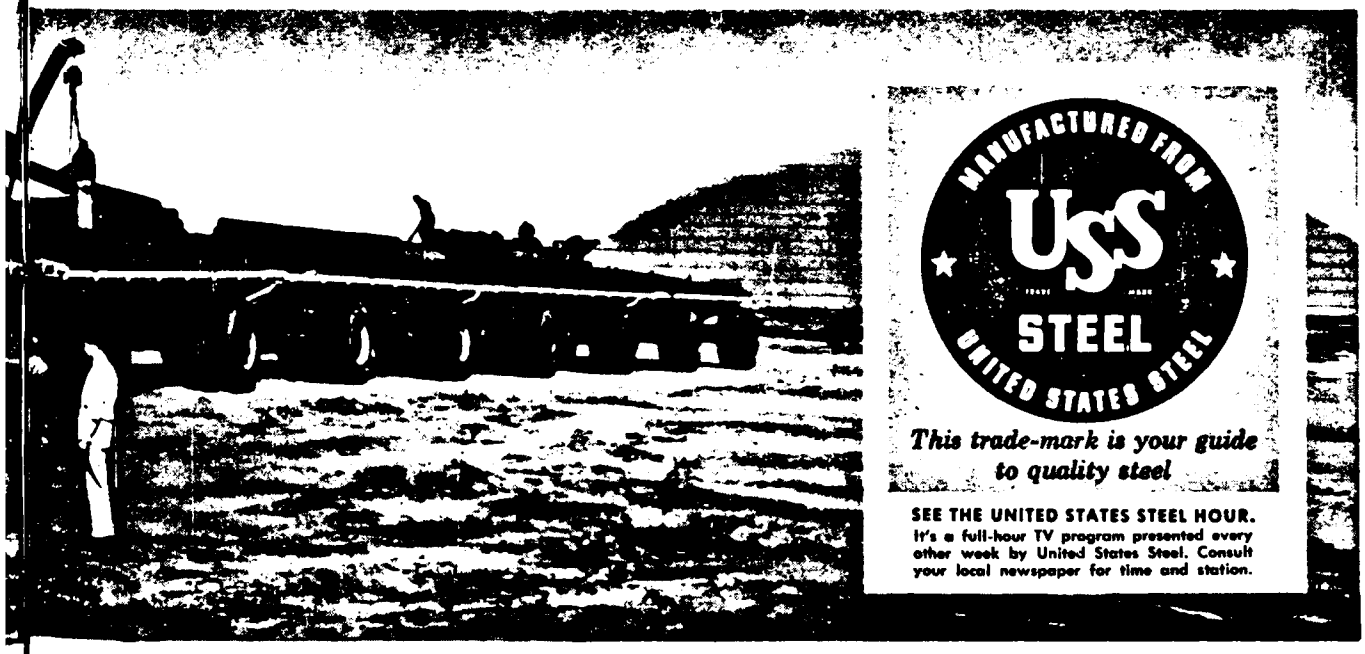
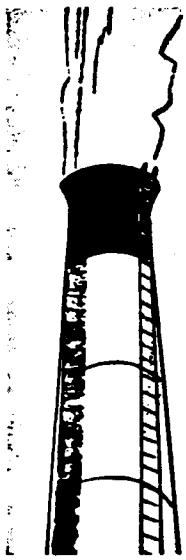
UNITED STATES STEEL HOMES, INC. · UNION SUPPLY COMPANY · UNITED STATES STEEL EXPORT COMPANY · UNIVERSAL ATLAS CEMENT COMPANY 6-60



This trade-mark is your guide to quality steel

SEE THE UNITED STATES STEEL HOUR.
It's a full-hour TV program presented every other week by United States Steel. Consult your local newspaper for time and station.



The CHANGE in

Story of What's

A benevolent revolution is going on in the Deep South.

The economy is shifting from farm to factory. People are on the move. Vast changes are taking place, some of them beneath the surface.

What do these changes mean? Is the South headed for economic equality with the North? What is happening to the Southern way of life? Are the people changing? Is a new racial balance in the making?

To get the answers to these questions, members of the Board of Editors of *U. S. News & World Report* traveled thousands of miles through the Plantation States, from South Carolina to Louisiana.

In articles that follow, you find the results of their survey.

Report from

ATLANTA, Ga.

THE DEEP SOUTH is living through an upheaval more profound, in many ways, than the Secession.

This revolution, unlike the first one, is not emotional. It is basic, and it shows every sign of enduring.

It is changing the base on which the South makes its living. In the process, traditions, habits, and ways of thinking are being plowed under.

Even the racial make-up of the Plantation States is being altered. Slowly but surely, the white-Negro ratio is getting closer to the national picture.

All this has been a long time in coming: maybe 50 years, Southern leaders say; maybe longer. As late as 1938, Franklin D. Roosevelt considered the South to be "the nation's No. 1 economic problem." Today the measurable transition from that judgment is striking.

The Deep South is a long way from becoming the industrial powerhouse of the U. S. There are still an awful lot of poor people, with a history of hardship that goes all the way back to the Civil War.

But, economically, Southerners are gaining on the rest of the country with lengthening strides.

Industry's Impact: Felt Everywhere

In Alabama, Georgia, Louisiana, Mississippi and South Carolina—five "Plantation States" of the Deep South—personal income, manufacturing output and retail sales are four, five and six times what they were in 1939.

Some of these States have been advancing in various economic fields at percentage rates higher than the traditionally industrial North.

Louisiana, for example, since 1947 has outgained the nation as a whole in value of factory output. The South Carolina textile business has forged ahead of that of Massachusetts. The whole South, including the five Plantation States, tops the country in papermaking.

Gone: a million Negroes. A massive movement of population is on all over the South. Between 1940 and 1950, it has been estimated officially, a million Negroes left all the Southern States. The exodus is most pronounced in the Plantation States, where, 50 years ago, some farm counties had nine Negroes to every white resident. In many cases the preponderance has now been reduced by more than half.

One big plantation in the Mississippi Delta lost 56 per cent of its working force, almost entirely Negro, in a dozen years. A county in Alabama saw one fourth of its Negroes vanish in a decade. You hear stories of 85 tickets to Chicago being sold in a small railway depot in a single day.

The movement has economic roots. High wages in the Chicago industrial complex have drawn the young and able Negro worker away from the plantation. The older folks have lingered, creating economic stresses as the machine moves in to take over from the broad back. Social uncertainties arise, sometimes racial tensions flare under remote provocation.

A better deal for all? A way of life is disappearing—that of the close, kindly relationship between plantation master and colored servant that clung in many families for decades after the Reconstruction. Everywhere you hear nostalgic stories about how Southern families have cared for their own; still do, when they can.

But many leading Southerners believe the changing color composition of the South is, on balance, a good thing. In time, they believe, it will work out for economic betterment of all the people of the South, reduce racial tensions.

Industrial America
Happening in the South

As the Negro moves out, a way of working goes with him. The sharecropper is becoming scarcer. Farm experts foresee an early end to the system by which a man traded his work for a house, a guaranteed living and a share of his crop.

Louisiana has lost more than half its farm tenants in 20 years; other Southern States, about as many. In Mississippi, six out of 10 tenant cabins are said to be vacant. Sharecroppers who have stayed are likely to work for day wages.

Now the machine rumbles onto the scene. Where a sea of aching backs once moved through the rows of bursting cotton plants, high-rigged mechanical pickers are beginning to dominate.

You can drive for miles through the Mississippi Delta and see few cotton fields picked clean by human hands. In more and more places, the picking machine has left its telltale white flags atop the rows.

The mule is dying out. The tractor is taking over everywhere. Mules are still used on smaller, hillier farms, but their numbers are declining steadily.

In three of the five Plantation States, cotton still is king. But its realm is shrunken. There is a pronounced shift to cattle and grains and other crops. Rice has moved eastward from across the Mississippi.

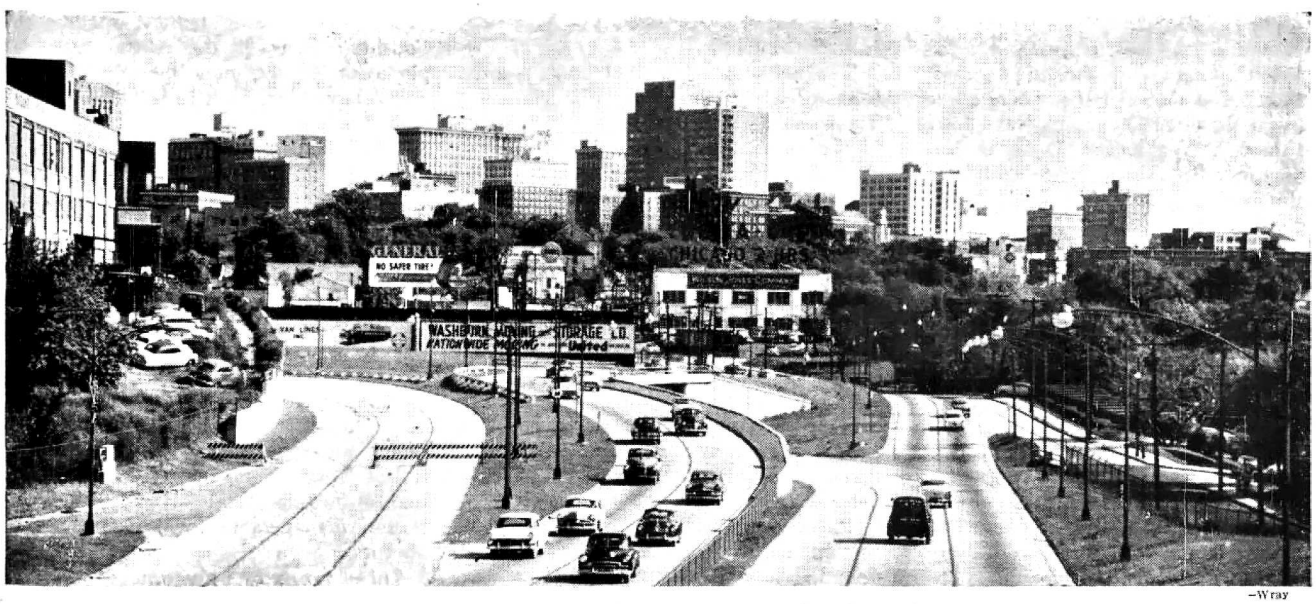
In 1929, there were nearly a million cotton farms in the Deep South. Today, there are just half as many.

Look at the landscape. Anyone who has not been through the Deep South recently is impressed by the change he sees today.

Rolling fallow fields are checkered by new factories—making carpets, "miracle" fabrics, chemicals—built by Northerners where no Southern hamlet ever took root.

These factories live without towns. They draw their workmen from farms dozens of miles away. They need no satellite housing, only parking space. Industry has taken the machine to the Southern farm worker, and the automobile brings the worker to the machine.

A factory a day. Southern bankers say that new industries are opening



—Wray

ATLANTA: MAIN PORT OF ENTRY TO THE NEW SOUTH

[continued] # SOUTH IS CHANGING INDUSTRIAL AMERICA

plants in the five-State region at the rate of one a day. It is not a question of industry's moving from the North, they contend; it is a question of Northern industry's expanding in better conditions, building and supplying a hungry market.

Southerners hear the complaints of Northern industry about "unfair" inducements to industry from the South; they are aware of the concern of the union-labor organizer, who finds the Southern farm boy hard to persuade.

The South is not disturbed by these Northern complaints. But it is disturbed by what it regards as Northern pressure to hasten the process of racial equality in the South.

That is the one emotional issue below the Mason-Dixon line today. For the time being, it is red-hot.

Yankee wages in the Delta. On the other hand, a lot of Southerners are too busy to brood on racial grievances. Yankees, money and business are moving into their kingdom. Living standards are surging up. In some cases, wages are strikingly higher—on a par with the North in certain big cities.

Average industrial wages in Louisiana, for example, have increased 41 cents an hour since 1950, to an average of $1.66 in June of 1955. In Baton Rouge, alive with oil and chemical plants, the rate is $2.31. Average industrial wages in Alabama are up 31 cents, to $1.49; in Birmingham, up 55 cents, to $1.90.

Compare this with average industrial pay, in 1955, of $1.89 in New York City, $1.94 in Philadelphia.

Of course, the cost of living has skyrocketed along with the pay. Family costs in Atlanta stood 101 per cent higher this year than in 1939, which was a faster rise than in Washington, D. C., or New York City. But you might figure that Southern costs of living had a lot further to go.

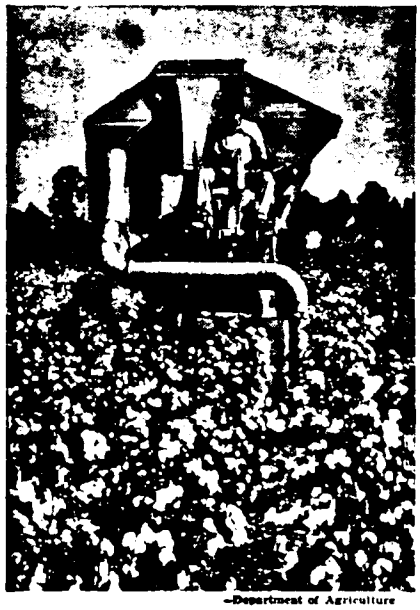
Hub of Prosperity

Main port of entry to the "new" South is Atlanta, now reaching for the million mark in population and spilling into the surrounding counties on every side.

Atlanta has recaptured the atmosphere of a boom town. You can sense it as soon as you set foot on the busy airport.

Here, the North and South collide, but gently and politely. Clipped New England accents mix with Southern drawls.

A visitor to Atlanta calls five hotels before finding a room. Southeastern shoe retailers are in town, followed by the furniture men or the garment manufacturers. Convention badges sprinkle hotel lobbies. There is waiting for tables at some restaurants. Cabs are hard to find. In public places, men talk over plans for new factories, draw crude diagrams of plants on restaurant menus. "Two million . . . four million . . . six million," the dollar talk goes.



—Department of Agriculture

MECHANICAL COTTON PICKER
In its wake, social and economic trends

Fifteen main railway lines, 60 truck lines, 10 major air routes pour passengers and goods in and out of Atlanta. They put the city at the crossroads of the awakening South.

The five States reached most readily from Atlanta—Georgia, Florida, Alabama, Tennessee and South Carolina—are doing 56 billion dollars' worth of business a year. A fat slice of this passes through Atlanta. Georgia, itself, did 14.2 billion in business in 1954, and, of that, 6.3 billion was made by Atlanta itself.

One big industry in the Atlanta area—the Lockheed Aircraft Corporation—paid out 72.2 million dollars to 15,500 people in 1954. That was two thirds as much money as Georgia got from its whole cotton crop. The Lockhead payroll is running even higher now. It goes to 17,000 people and is putting 1.5 million dollars a week into the Atlanta market area.

In Georgia and the other States that fit into the Atlanta trade orbit, business volume is now six times what it was in 1939. Since then, deposits of Georgia's biggest banking system, the Citizens & Southern National, have increased almost fourfold.

As in a good many prospering sections of the U. S., war plants gave the South its first real shot in the arm. The shift from cotton and tobacco has helped the process.

In Georgia alone, income from cattle, hogs, poultry and dairy products now is much bigger than from sales of cotton and tobacco. And the armed services continue to lavish contracts on the South: Georgia, for instance, got 120.6 million dollars in defense construction in the last four years.

A Growing Market For Nation's Goods

With new money in long-empty pockets, Southerners are spending it fast for pent-up needs.

In wide reaches of the Deep South, poverty has been normal for 90 years. This backlog of need, with the new prosperity, makes the South perhaps the greatest potential consumer market in the country.

Of the 1.4 billion dollars of Atlanta incomes in 1954, 1.2 billion went for consumer products. The Southern appetite for new cars especially is sharp.

Once a dumping ground for the North's second-hand discards, the Deep South itself now trades in plenty of used cars for its lots. And, in the first 11 months of 1955, dealers in the five States sold 22 per cent more new cars than in all of 1954.

The new folding money, rustling in Southern jeans, is the reason why 80 per cent of the new factories in the South have been built to fulfill the needs of Southerners exclusively.

Such plants make everything from pots and pans to the air-conditioning assemblies that are doing so much to change sleepy Tobacco Road or Magnolia Row to places where men work harder in year-round comfort.

Southerners with cash to spend are bringing the Yankees back again, this time to stay. In Atlanta alone, two fifths of the newcomers between 1946 and 1953 came from outside the States of the old Confederacy. Other Southern cities report the same influx. Baton Rouge is full of Northerners. In Greenville, Miss., one businessman said: "Half the service-station managers in town have Yankee accents."

Three types of newcomers. Some of the newcomers are in high-income groups. They are officials and managers of North-

ern plants and agencies. They buy fine homes, show places with acres of grounds.

But more numerous are the younger Northerners who got their military training in the South during World War II or the Korean war.

Many married Southern girls and came back to live "easier."

There is still another class of newcomers: the young men whose fathers grew up in the South and went North because the opportunities were better there. A good many of these young "step-Southerners" are coming back to the Dixie soil and settling on or near it. They seem fascinated by the land.

This infusion from the North seems to be flattening the Southern accent little by little. It also appears to be changing some eating habits. You still get grits for breakfast in most of the South. But veal and baby beef are becoming popular in meat markets which used to sell more pork than anything else.

Of course, a lot of Southerners sigh for the old days. Still more like the new, or in any event are reconciled to its inevitability.

"Everything is changing," said one Atlantan. "A lot of things have been happening down here since General Sherman's soldiers got careless with matches back in 1864."

Where Cotton Grew, Cattle Graze Now

Report from

GREENVILLE, Miss.

Cotton is no longer king of the plantations. Now the South is growing more cattle, rice, oats and timber.

New crops bring new modes of living. The sharecropper is vanishing. So is the mule. Tractors are taking their places.

A NEW WAY OF LIFE is enveloping the cotton lands of the Deep South. None of the big changes now in progress cuts deeper than the break away from the tyranny—or benevolence—of King Cotton.

Time was when the price of a bale of cotton was the biggest worry in all five Plantation States. Cotton ruled the red clay of Georgia, the flatlands of the Delta, in between and beyond to the bayous. Mules, broad backs and hoes furnished the motive power that ran the economy.

Almost everything is different now. All over the Deep South, cotton is losing out. Cattle, rice, oats, timber are stealing away the King's realm. The new ways of farming, with machinery, increased use of fertilizers, irrigation—in places where people used to complain there was too much water—have further cut down cotton's acreage.

New problems are developing with the changing agriculture. Fewer hands and backs are needed, new skills are required. New industries springing up also affect the manpower situation.

The day of the sharecropper is almost over. You can go for a long way without seeing a mule. Where cotton clings to some of its old power, tractors and cotton-picking machines rattle along the roads and into the fields. So it goes in the Mississippi Delta. But in South Carolina, even in picking season, the cotton fields look lonesome. The gaping doors of vacant tenant cabins, rotting in the weeds, tell the story.

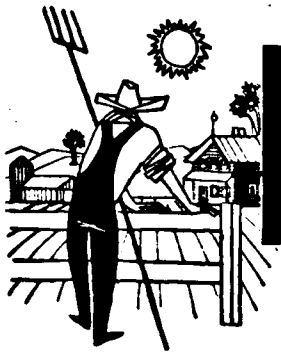
You get an over-all idea of what has happened to cotton by looking at Government figures on cash farm marketings for 1954, for all five Deep South States.

That was the first year in which cotton lost first place as the big money-maker. Livestock and its products won out, with cash receipts of 827.3 million dollars. Cash receipts from cotton fiber totaled only 722.1 million, down 231 million from the previous year. Cottonseed receipts added only 83 million.

In Louisiana, South Carolina and Mississippi, cotton produced more cash for farmers than did livestock in 1954. But, in Alabama and Georgia, livestock has dethroned cotton as the leading source of cash farm income.

Even in Mississippi, the new look of the plantations is striking. Cotton acreage in 1955 was down to 1,730,000, compared to a 1944-53 average of 2,435,000. Beef cattle rose from 718,000 head to 1,128,000; rice, from nothing to 2.2 million bags.

90,000 acres to 11,600. Take it on the county level: Back in 1900, Perry County, Alabama, had 90,000 of its acres in cotton. In 1955, there were just 11,600



As Farming Pattern Changes—

THE SOUTH HAS FEWER SHARECROPPERS

	Tenant farmers were this percentage of all farmers in 1930—	Tenant farmers were this percentage of all farmers in 1950—
Alabama	64.7%	41.4%
Georgia	68.2%	42.8%
Louisiana	66.6%	39.6%
Mississippi	72.2%	51.6%
South Carolina	65.1%	45.3%

Source: U. S. Census Bureau

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[continued] # SOUTH IS CHANGING INDUSTRIAL AMERICA

acres. The land had gone over to other crops, and to cattle.

In the Mississippi Delta, figures for the counties tell the same story of a shift away from cotton.

Between 1945 and 1953, the value of cattle in the 12 Delta counties almost quadrupled, rising from 13.3 million dollars to 50 million.

In many parts of the South, permanent grassy pastures permit cattle to be grazed outdoors most of the year.

However, many of the South's cattle are shipped north for fattening, because it is not yet economical to grow corn on a large scale in this area. Corn is the feed that is used for the final "finishing" of cattle before they are shipped to the slaughterhouse.

The Mississippi helps out. Rice was virtually unknown east of the Mississippi River six years ago. Now it covers more than 100,000 acres in the Delta, and crop controls have been applied.

What happened? When the land went out of cotton, planters looked at their empty acres and at the broad Mississippi, across the levees beyond. They could have the water by simply stringing pipes over the levees, siphoning off as much as they wanted to irrigate their fields. So they turned to rice, which needs an abundance of water.

In Georgia and South Carolina, tobacco is doing well. Timber, too, has become a cash crop, with development of the big paper industry of the South and the arrival of synthetic-fiber plants from the North. Conservation and reforestation are coming into the picture, where neglect of woodlands once was general.

Sharecroppers—Vanishing Race

Most important side effect of the transformation of Southern agriculture is the way it is emptying the plantations of the people who lived off cotton, year in and year out.

Exodus of the Negroes from the Deep South began before the tractors and the mechanical pickers came in. They were drawn northward by the lure of high wages in industry. But the movement has been enormously accelerated by the switch to a multicrop economy, and to machines.

Moreover, the transition is wiping out the old sharecrop system, probably forever.

A new study by the U. S. Census Bureau, covering the period 1950-54, turns up some striking statistics on the swing away from crop sharing. In Louisiana, for example, there were 21,762 crop-share tenants in 1950; four years later there were only 15,181.

Alabama's reduction was even greater: from 30,770 sharecroppers to 17,873 in four years.

A study of one large Mississippi plantation discloses a loss of nearly half its population—more than 1,800 people—in a 12-year period. The missing "hands" were replaced by 30 cotton-picking machines and 180 tractors.

According to the Agriculture Experiment Station of Mississippi State College, which made the study, the remaining portion of the population was a "very unstable" one, and "the productive and reproductive potential of the population has been critically impaired by the departure of both young men and young women."

You still get contrasts in the South between the new business of farming and the traditional plantation way, but the latter is clinging by its toenails.

New beside the old. On the one hand, take the operations of the Delta & Pine Land Company, of Scott, Miss., in the Delta. This is probably the biggest row-crop operation in the world, holding 38,000 acres—24,000 of which are under cultivation.

Once the company had 16,000 acres

Slowly but Surely—

PROPORTION OF NEGROES IS DECLINING IN THE SOUTH

	Negroes made up this percentage of the population in 1940—	Negroes made up this percentage of the population in 1950—
MISSISSIPPI	49.2%	45.3%
SOUTH CAROLINA	42.9%	38.8%
LOUISIANA	35.9%	32.9%
ALABAMA	34.7%	32.0%
GEORGIA	34.7%	30.9%

Source: U. S. Census Bureau

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in cotton, employed 1,000 tenant families averaging five members each, and used 1,200 mules.

Now only 7,800 acres are in cotton. The rest of the land is planted to corn, rice, alfalfa hay, sorghum, oats and barley and to grass for pasturage. The company has 15 mules and 200 tractors. It is producing 1,500 fed-out steers for market this year.

"Most of the tenants now are tractor drivers, repairmen and their wives," says a manager. "We have a hard time keeping good men. As they grow up, the more ambitious youngsters leave."

At the other extreme, also in the Delta close to Greenville, is Trail Lake Plantation, a family-owned enterprise of 3,500 acres. It is operated by LeRoy Percy.

There, change has been slow, in at least one respect. Like so many Southern families, the Percys have long had a reputation for looking after their own people. Years back, the Percy family started selling goods at cost to Negro tenants who bought at the plantation store.

In 1940, there were four tractors and 200 mules at Trail Lake. It was farmed by 170 tenant families. Now there are 28 tractors and 15 mules, but there still are 110 tenant families.

Mr. Percy figures he could run the place more efficiently with 20 families. But many of the Negroes on the plantation have been there all their lives—some families, for three generations. They are slow to move, and the owner does not feel that it would be right to put them out.

"We could all make a better living if there were fewer families," says Mr. Percy. "Except in the chopping and picking seasons, a great many of the people do not have anything to do."

Pay by the Day—But Not for All

Somewhere between the business-type efficiency of the Delta & Pine Land Company and the family operation at Trail Lake lies the real measure of displacement of the Southern sharecropper.

With the shift of cotton land into other crops, and mechanization, a new system of cotton production is coming into wide use in the South. This is called "wage cotton."

Under the sharecrop method, the landowner furnished the land, the house, the work stock, and helped "carry" the tenant through the crop season. The two shared the proceeds of the crop.

But, under cotton-acreage cuts, the allotments had to be divided among too many tenants. It gradually got to the point where most of the tenants had so few acres in cotton that it was increasingly hard for them to get big-enough crops to make a living.

At this point, planters began to turn to "wage cotton." They hire workers by the day to drive tractors and to till the cotton. Sometimes the workers come from nearby towns, sometimes they live on plantations and work as they are needed. If they once had a sharecropper house, they keep it, rent-free.

The trouble is that there is little but occasional work for most of those former sharecroppers, usually Negroes, who have not been able to find jobs in the new factories. Small towns in the Deep South, as a rule, offer few job opportunities. For many a plantation "hand," there is beginning a real struggle to find a place to earn a living.

Steel . . . Oil . . . Cloth . . . Planes . . . Paper

Report from

BATON ROUGE, La.

What happens when an agricultural region turns to industry?

In the South, the shift is bringing many changes. Incomes rise. So do living costs. It's no longer the "sleepy South."

Here is the story of the nation's new industrial frontier.

AMERICAN INDUSTRY is transforming the landscape and the livelihood of the Deep South, and giving it the prosperity that it has been seeking for nearly a century.

The North has poured its capital and know-how into the South, helping it revive from the hopeless years of the so-called Reconstruction era—even though the South's resurgence means challenge and competition for the North's own industrial centers.

The South is welcoming the industrial invasion from the North and making the most of it. Back at the start of the century, the South as a whole had only 9 per cent of the country's manufacturing facilities. Now it has nearly one quarter of them, and industrial output for all the Southern States climbed close to 60 billion dollars in 1955.

For the five Plantation States—Georgia, South Carolina, Mississippi and Alabama, as well as Louisiana—the gains since World War II have been spectacular. Burdened by decades of poverty, genteel and otherwise, these States had to start from a level much lower than any others.

The 15-year surge. If you include the war years, when the South was engulfed by a 4.5-billion-dollar tide of defense construction, the gains in manufacturing output look staggering. Between 1939 and 1954, these gains ranged from 353 per cent for Alabama to 533 per cent for South Carolina, inheritor of the country's textile crown.

During the peacetime years of national boom, the Deep South States have kept on climbing, though not in such comparatively big bounds, as the chart on pages 54 and 55 shows. Looking ahead, Southerners see nothing but expansion. The Southern Association of Science and Industry expects that 10,000 more plants will be built all over the South in the coming decade.

For many Southerners, all this still comes as a hard wrench from the drowsy, magnolia-scented days of the dim past. Most places, there is evidence of struggle to hold on to some of the old ways. But, as most Southerners discovered years ago, you can't eat magnolias and honeysuckle.

Now the wage differential between South and North is steadily narrowing. In a few boom areas, the Southern workman actually makes more than the Northerner does for the same job.

Per capita income in the Deep South is four times what it was 25 years ago, and in that period it has climbed from 44.7 per cent of the national average to 64.1 per cent. True, that leaves quite a way to go to equality, but the South is determined to get even.

Out of Yankeeland: Even Carpetmaking

Change in the physical face of the Deep South is striking. In the sand hills of South Carolina, you come suddenly upon a spacious new Orlon plant, smack in the middle of nothing. Georgia's red clay blooms with big industry, from aircraft to home appliances.

Big producers of aluminum are operating plants full tilt in Mobile and Lis-

[continued]

SOUTH IS CHANGING INDUSTRIAL AMERICA

terhill, Ala., in New Orleans and Baton Rouge.

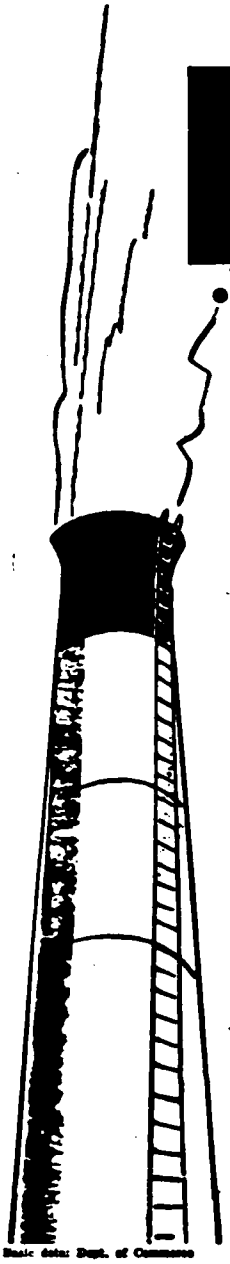
The carpet industry has made the jump from New York to the Mississippi Delta. Factories spring up overnight in pineland and cotton field, disconnected with town or village.

Just now, Louisiana is the front runner in the Deep South's industrialization. Here in Baton Rouge, the complex of oil, chemical, aluminum and other plants, crowded into an area 2 miles by 5, is said by local industrialists to be the most highly concentrated industrial site in the world. The variety of products turned out seems endless. The Esso Company alone makes 700 different products.

South Carolina, early to taste prosperity when the textile industry began to wither in New England, has surpassed Massachusetts as a maker of cloth. By 1953, South Carolina had 53,711 more textile-mill workers than Massachusetts. South Carolina's factories exceeded the Bay State's by 203.7 million dollars in "value added by manufacturing." In 1954, South Carolina produced twice as much as Massachusetts in woven cotton goods.

H-Bombs to newsprint. On the South Carolina-Georgia border, near Aiken, S. C., a four-county area has been transformed from a farming region into a community living on secrets of the nuclear age. This is the home of a new H-bomb plant, into which more than 1.5 billion dollars has been poured for plant, payrolls, community facilities.

Deeper in Georgia, near the Atlanta suburb of Marietta, the Lockheed air-



From a Small Beginning— NEW SOUTH'S INDUSTRY IS RISING TO CHALLENGE THE NORTH

● *Over all, the Deep South still is quite small, industrially. Here's how the South compares with some other major regions, and with the U.S. as a whole —*

	Value of Manufacturing Output* 1947	1953	Per Cent of Increase
DEEP SOUTH: *Alabama, Georgia, Louisiana, Mississippi, South Carolina*	$ 3,681 million	$ 5,549 million	51%
NEW ENGLAND: *Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut*	$ 6,814 million	$ 9,905 million	45%
MID-ATLANTIC: *New York, New Jersey, Pennsylvania*	$20,790 million	$ 31,655 million	52%
EAST-NORTH CENTRAL: *Ohio, Indiana, Illinois, Michigan, Wisconsin*	$23,473 million	$39,926 million	70%
PACIFIC: *Washington, Oregon, California*	$ 5,544 million	$ 10,620 million	92%
United States	$74,426 million	$121,659 million	63%

*Value added by manufacturing.

Basic data: Dept. of Commerce

craft plant has become the biggest industrial operation in the entire South. It compares with Michigan's Willow Run of World War II. There are 100 acres of floor space for production. Sixty thousand different kinds of aircraft parts are produced in quantity, and used to make C-130 Hercules turboprop planes and for building and modernizing six-engine B-47 jet bombers.

Alabama, with Birmingham as the South's chief steel city, has been running a race with Pennsylvania in rate of increase in steel production. From 1947 to 1953, Alabama boosted its output of primary metals by 88 per cent, while Pennsylvania showed a gain of 89 per cent, in terms of "value added by manufacturing" in metals industries.

All five Plantation States have shared in the prodigious gains in paper and allied products made by the whole of the South. By 1953, Georgia, Louisiana and South Carolina each were turning out more than a million tons a year.

In the area listed by the Government as industrial defense facilities—these run from metals to textiles—unofficial estimates show the Deep South States have acquired $1,370,000,000 in new plants in the last five and a half years. That was 7 per cent of the national total.

The Government itself has continued to pour defense money into the South, for goods, for facilities, for construction. Georgia alone got more than 1.6 billion dollars of this money in five years. And all Deep South States have large military installations.

How Change Hits Places, People

When industry moves ponderously into a Southern community, ways of living and working are in for big changes.

The sleepy-town atmosphere of the '20s and '30s is gone forever from Baton Rouge. The city has grown 317 per cent in the last 14 years, now has 144,000

But—
IN CERTAIN INDUSTRIES, DEEP SOUTH'S GAINS ARE STRIKING

	Value of Manufacturing Output* 1947	1953	Per Cent of Increase
South Carolina tops Massachusetts in textiles			
South Carolina textile output	$559 million	$630 million	13%
Massachusetts textile output	$568 million	$426 million	-25%
Louisiana outgains New York in chemicals			
Louisiana chemicals output	$113 million	$270 million	139%
New York chemicals output	$596 million	$880 million	48%
Georgia grows faster than Wisconsin in paper			
Georgia paper output	$ 54 million	$129 million	139%
Wisconsin paper output	$189 million	$301 million	59%

*Value added by manufacturing.

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[continued] # SOUTH IS CHANGING INDUSTRIAL AMERICA

people. Streets get jammed with traffic. Hospitals are inadequate. Many expectant mothers go to New Orleans, 80 miles away, to have their babies.

School enrollment is going up at the rate of 1,700 pupils a year, representing a yearly need of from 50 to 60 new classrooms. The town is stretching up and down river, north and south, and back toward the lakes and marshes to the east. In all, 225 subdivisions with 3,200 new residential lots were reviewed by the city planning commission last year.

Yet Baton Rouge continues to expand. Twelve and a half million dollars is being put into new port facilities. A 2.5-million-bushel grain elevator is going up. An 8-million-gallon molasses terminal is being connected by pipeline to pier. Five miles of connecting railroads is being built to new docks.

Incomes in Baton Rouge are high—for the average family, $6,592 a year. There are plenty of jobs. Esso uses 7,300 employes, and its payroll runs to 44 million dollars a year.

New faces, new money. Across the Old South, wherever big industry has moved into areas that were essentially rural and has proceeded to transform the economy, you find a new way of life.

In the H-bomb area around Aiken, the population has changed twice—first when the plant was being built, again when it was finished and started operations. About 39,000 construction workers were needed to build the plant; later came 30,000 new, permanent residents. To convert the area, one town and five villages were torn down and wiped out, 1,500 families were displaced; even the dead were moved from 125 cemeteries. For months, up to 30,000 people lived in 10,000 trailers.

Now an air of permanency is settling. Many plant workers, averaging $5,000 a year in wages, are buying their own homes, modern ranch houses selling for as high as $25,000. Business is good. People are busy.

Or take the Lockheed plant, on the fringes of the Atlanta metropolitan area. The workers come from 26 counties, some of them driving 80 to 100 miles to and from work every day.

Per capita income of these workers is $4,650 a year. But, in the counties from which they came, 60 to 70 per cent of the people make less than $2,000 a year—in some, medium income is $1,000.

This is pretty much the picture in the newly industrialized areas all over the Old South. When the factories came, the people were just scratching out a living. When the plants opened for business, the people saw a chance to make a better living and grabbed it.

These people, coming from farm to factory, keep their old ties with the land. They also keep their independence. They are not sure that the factory jobs will last, or that they will like being told what to do. So they keep on living on the farms. If they lose their jobs, or get mad at the boss, they can stay home, start scratching the red clay again.

Hard road for unions. In that situation, employers and union leaders agree, you have one big reason why unions have trouble organizing the new industrial worker of the South.

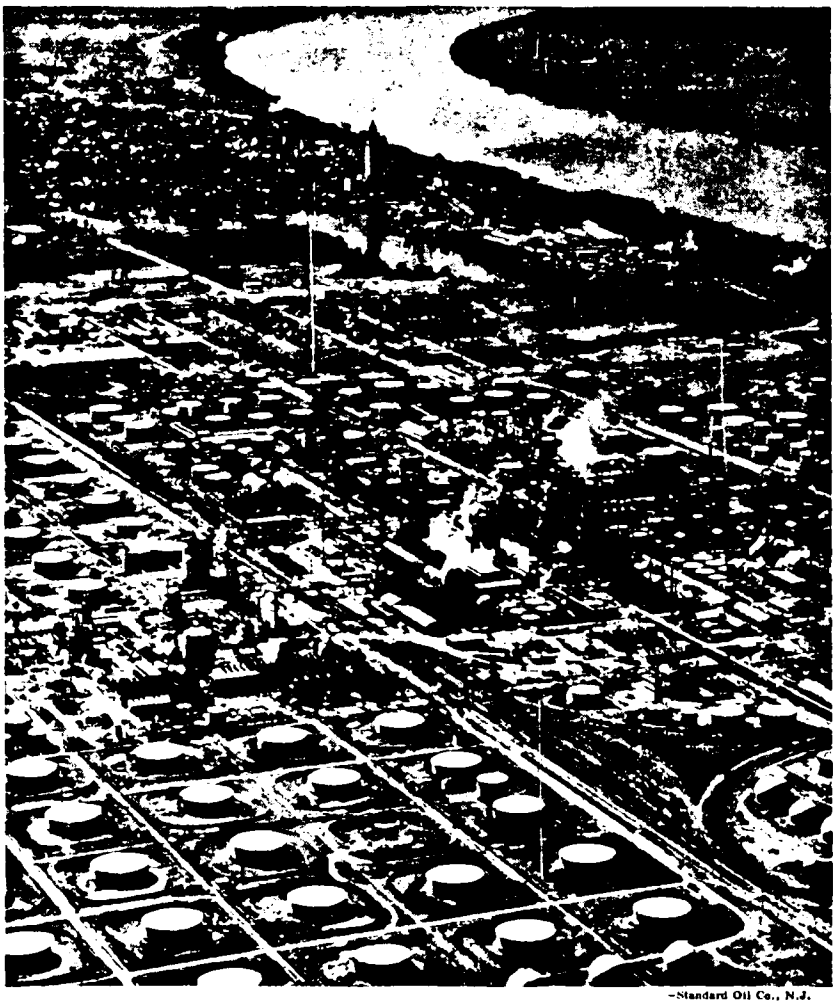
The people come from farms. They are used to making their own decisions and to speaking up for themselves.

True, some Northern firms have brought in cadres of strongly union men from the Northern plants, to train local employes. This tends to give union labor a foot in the door. Even so, entry is not always easy.

"They are hard to organize," one CIO man said. "They don't know much about unions and they are prejudiced against them. They are making more money than they ever did in their lives, and they don't see why they should join unions."

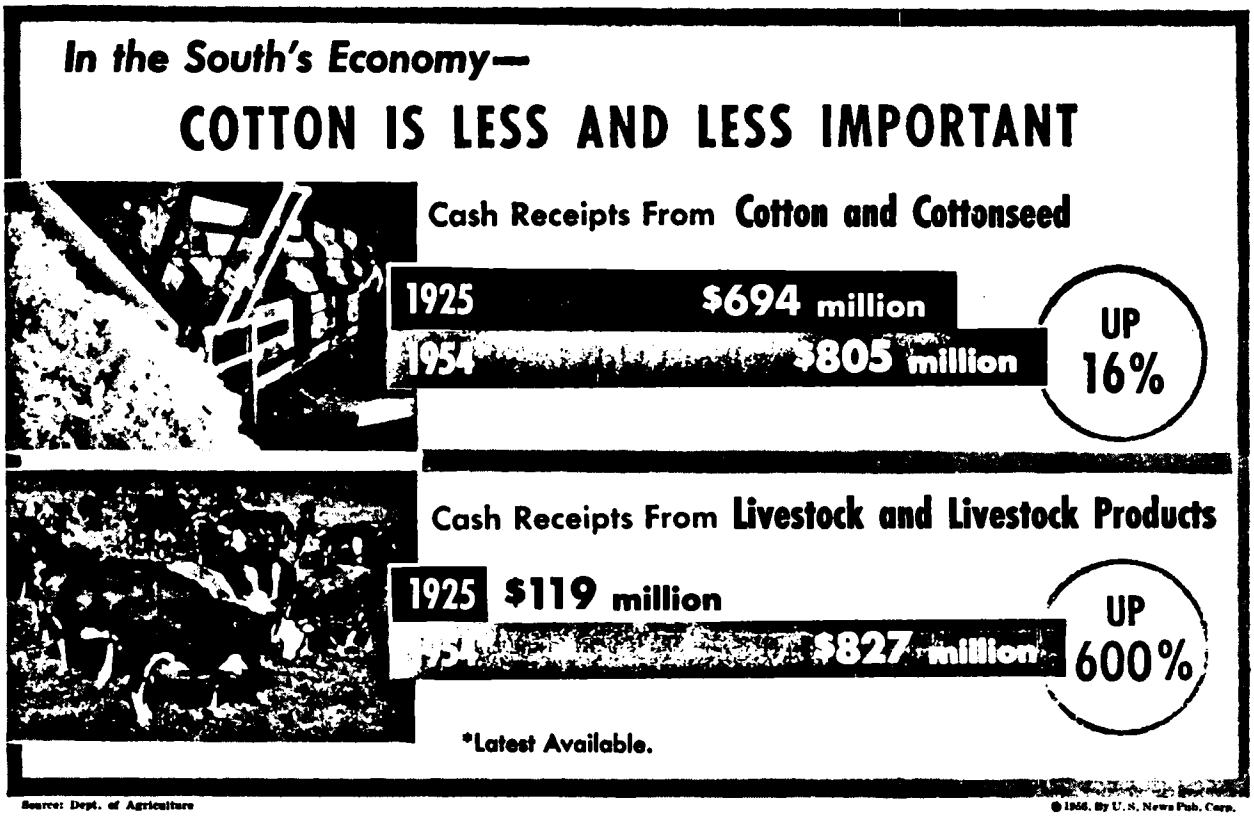
The organizers say that, while the minimum wage is $1.10 an hour in most plants in the Atlanta area, some warehouses pay men $1.50 an hour just to push and haul. Also, a good many firms coming from the North frequently stay close to their Northern wage scales for Southern workers.

In any case, in Atlanta and New Orleans, to take two cities, only 40 to 49 per cent of maintenance and production



—Standard Oil Co., N.J.

INDUSTRY IS MAKING OVER THE SOUTHERN LANDSCAPE
. . . and bringing new jobs: This Baton Rouge refinery employs 7,300


In the South's Economy—
COTTON IS LESS AND LESS IMPORTANT
Cash Receipts From Cotton and Cottonseed
1925 $694 million
1954 $805 million
UP 16%
Cash Receipts From Livestock and Livestock Products
1925 $119 million
1954 $827 million
UP 600%
*Latest Available.
Source: Dept. of Agriculture
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workers were covered by labor agreements at last reports. That compared with 80 to 89 per cent in New York City, 70 to 79 per cent in Chicago and upward to 90 per cent in the San Francisco area.

Not all Southern employers are sure this situation will last. In April, 1954, out of some 2.5 million production workers in manufacturing industries in the entire South, 723,000 still earned less than $1 an hour. The majority of these will benefit when the new law creating a $1 minimum wage takes effect next March, but some, in small local establishments, will not.

One employer says: "Union labor is going to get us yet, sure as shooting." He cited the long telephone strike in the spring of 1955, when many people were shocked to see Southern girls walking in picket lines week after week. This they took as evidence that feelings about unions, along with so many other things, are in the process of change in present-day Dixie.

Where All Isn't Well—the Color "Line"

Report from

MONTGOMERY, Ala.

Negroes are drifting steadily away from the Deep South. The migration holds significance for both present and future.

For those who remain on the plantations, the machine and rising racial tensions are making life more complicated.

IN THE RICH FARMING REGIONS of the Plantation States, talk of race and tradition and speculation on the future overshadow the great Negro exodus that is slowly reducing the numerical overbalance of Negroes.

Great changes are at work throughout the five States—not the least of them in the social structure. But, in the towns and smaller cities, the big talk still is whether the old separations are to endure. Whites are trying to hold the line. Negroes are worried.

You find those attitudes from South Carolina to Louisiana, notably in the farming areas.

At present the talk centers around the Supreme Court ruling that Negroes and whites cannot be segregated in public schools. White Southerners sometimes may accept the principle of integration, but they resent what they regard as hasty efforts to implement the ruling.

Again and again, you hear it said that racial tensions do not arise, by themselves, in the South—that they are imported from the North.

Nostalgic anecdotes are told to illustrate the way old Southern families have looked after their Negroes for generations, and still do. Nevertheless, an air of uneasiness is reaching into the hotel lobbies and the country clubs. Here and there, the anti-integration Citizens' Councils are busy trying, as one member said, "to keep the Negro in his place."

History and economics lie at the roots of the ferment. There is the historic high ratio of Negroes that goes back to the days of slavery. Then you have the one-crop system that so long maintained the gulf between master and farm worker.

Now both history and economics are in

[continued] # SOUTH IS CHANGING INDUSTRIAL AMERICA

the process of change. Negroes are leaving the farms and the Southern towns, either voluntarily or because there is no work to do. You can see by the chart on page 52 how the ratio of Negroes to white people is shrinking in every Deep South State.

The change is much more marked in the farming counties of States such as Mississippi and Alabama. In the Mississippi Delta, the place where slaves used to go when they were "sold down the river," seven counties in 1900 had nine Negroes to every white. By 1950, only one county in the Delta had a ratio as high as 4 to 1.

In just 10 years, between 1940 and 1950, one Alabama county, Perry, lost 5,000 Negroes, or one quarter of its total. In varying degree, you get the same story in all the Plantation States, except that there are still communities where the ratio is 9 to 1 in favor of the Negroes.

Negroes Go North And to Cities

Where have the Negroes gone? The younger and hardier, on the whole, have headed for the Northern factories and foundries where the pay looks good. Others have gone from plantations to small Southern cities, at least for a while. In some of these towns, Negroes have tough going. A Negro leader says: "Sometimes people go hungry. The slums are worse than those in the big cities. The man who depends on a seasonal farm job for a living just rots, body and soul."

Spread out "race problem"? You get several points of view on whether the big exodus is good or bad for the South.

A good many planters and businessmen say: The more Negroes that move, the better it will be for the South—for both white and colored people. They think the outward migration will tend to distribute the "race problem" more evenly across the nation and make for less friction in the Deep South.

Moreover, they feel that, economically, there will be more to go 'round for everybody.

There are other Southerners who argue that the South should find a way to put its Negroes in Southern industries and keep them there. However, this point of view is heard only rarely.

More often, you get the complaint from planters that, in the migrations, the youngest, most ambitious and the best-working Negroes have gone away. During World War II, for example, 81 per cent of those who left Mississippi were between the ages of 14 and 64, and 57 per cent between 14 and 34—men and women in the prime of their working life.

"They left us with the helpless, the shiftless and the ignorant," says one planter. Some Negro leaders put the same thought another way. One said: "Aside from a few teachers, doctors, preachers and professional people, most of our best people are gone. The bulk of those we have left are ignorant and scared."

Job Worries Build Tension

For those Negroes who are left on the plantations, the machine is making life complicated. The tractor is replacing the mule, the cotton-picking machine is doing the work of the human picker. Large numbers of Negroes still on farms simply do not fit into present needs. In the Delta flatlands, some planters are using tractors even to thin the cotton. Around Greenville, Miss., alone, between 1,500 and 2,000 Negroes were trying to find work during the last chopping season.

Thus Negroes and whites alike are caught by the pressures of economic change. No one feels quite sure of himself. In this atmosphere, racial resentments breed. Sometimes they explode, as in the case of Emmett Till, the Chicago Negro boy who vanished in the Delta after he was said to have affronted a married white woman.

Most white Southerners believe the whole situation is only aggravated by events like the Supreme Court decision, or the reverberations from it.

"Holding the line." In the rural counties, all the way across the South, you hear bitter words about the Court. Meetings of Citizens' Councils, especially in Mississippi and Alabama, are well publicized.

One open rally was held in Memorial Stadium in Selma, in central Alabama. Thousands of persons attended. Former Governor Herman Talmadge of Georgia was one speaker. Sidney W. Smyer, of Birmingham, leader of a group of Methodists who are fighting integration in the churches, was another.

In Selma last autumn, a petition turned up asking for racially mixed classes in the public schools. There were 29 names on the petition.

Alston Keith, chairman of the Dallas County White Citizens' Council, said that 16 of the 29 signers were fired from their jobs in a "spontaneous reaction" of white employers. Mr. Keith said he did not believe there would have been such unity of action if it had not been for the work of the Citizens' Councils.

—Black Star

A VANISHING SIGHT: COTTON WORKERS THINNING PLANTS
New crops, new methods mean new ways of living

He estimated that the Dallas County council alone has 1,300 members, including businessmen, bankers and city and county officials. One merchant said: "We have to organize the councils to show the Negroes that we mean business."

Talk and fears. Anger lies close to the surface. For example, take an official who stands on the steps of the Perry County courthouse at Marion, Ala., talking about other things. Suddenly he exclaims:

"The white man must keep the upper hand. Let Negroes into our white schools and they will destroy our whole civilization as we know it. Give them the vote in these counties and we will have a Negro government. They will push us off the streets, take our women, run everything. They think differently, have different moral values. The white man must keep them in their place."

His voice grows louder. A few Negroes gather on the sidewalk below to listen. He shuts his lips tight.

"How did I ever get started on that?" he asks. "You must have said something." He turns on his heel and walks away.

On the other hand, there are citizens who are trying to flatten out the racial tensions. Negro leaders in Alabama say that many bankers, merchants and prominent citizens are passing along word that loans and credit to Negroes are to go on the same way they always have, regardless of the racial dispute.

Then, too, there are county officials such as one who says he will not join a Citizens' Council because "I am encharged with administering the law impartially to both races. How could I do that if I belonged to such an organization?"

Where the Negro Fares the Best

The picture of race relations softens considerably when you get out of the plantation country and get into the booming industrial areas at both the eastern and western ends of the Deep South.

This is true in the Government's huge H-bomb development near Aiken, S.C. It is also true in Baton Rouge, La., where oil and the chemical and metal industries have brought unprecedented prosperity.

Sociologists say that, where jobs are plentiful and incomes high, race relations are comparatively good.

Inside the H-bomb plant in South Carolina there is no segregation. Job applications are processed by E.I. du Pont de Nemours & Company, which runs the plant for the Federal Government, on a basis of merit.

Negroes use the same eating, drinking and toilet facilities as do whites. There have been no incidents.

There are not many Negro scientists in the plant because not many Negroes can qualify. Most Negro workers are in semi-skilled and unskilled classifications.

However, the rule is that, if a Negro is better qualified to make a hydrogen bomb than a white applicant, the Negro gets the job. There are Negro laboratory technicians and assistants, some clerical workers and stenographers.

Outside the plant, segregation lines hold firm. But most people in the area are too busy to spend time worrying about the race situation.

Gains in Boomland. In Baton Rouge, both whites and Negroes say race relations are generally good. Housing presents some difficulties, and large numbers of Negroes live in shacks without sanitary facilities.

But the Baton Rouge boom tends to give work to both races. In the construction trades, there is more work than there are capable men to do it. Negro bricklayers, plasterers and electricians are organized into unions of their own.

Negro carpenters get $2.50 an hour. One white contractor tries to use Negro carpenters altogether. He finds that some industries, however, will not let the Negro carpenters into their plants, and there he has to hire white men. For Negro bricklayers, the pay is $3.17 an hour.

Organized efforts are being made to broaden the scope of Negro employment in industries. Important Louisianians are involved in this movement.

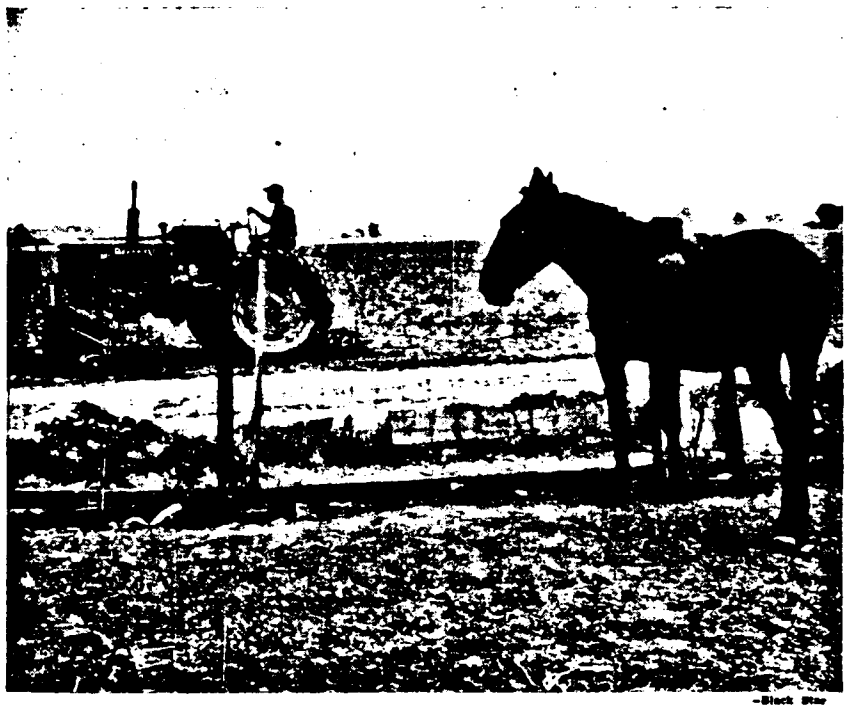
Some 1,000 Negroes already work at the Esso plant. A Negro labor leader says his race has made gains there both in job classifications and in pay rates over the last 12 years. But, he says, the gains have usually been made over the protests of white unions.

Although Baton Rouge is the home of "Southern Gentlemen," an organization formed to combat desegregation, Negroes are attending classes at Louisiana State University at the graduate-school level. Under a court ruling, the first Negro undergraduate is about to be admitted.

There have been Negroes on the LSU campus in graduate classes and in summer schools for the last five years. They have been given the same treatment as white students. They live in dormitories with white students, sit where they please in dining halls, cafeterias and coffee shops, use the field house and other facilities. They have not gone to dances or used the swimming pool, but there is no official rule against their doing so.

All in all, there are more jobs, and far fewer tensions, in Baton Rouge and in the community around the Aiken atomic plant than in the farming areas of the Plantation States. But there still are plenty of people in both places who would like to get back to the old environment.

Two Southern leaders—a businessman and a plantation operator—give their views on the South's future, starting on page 60.



—Black Star

NEW AND OLD IN SOUTHERN FARMING
One farm has traded 1,200 mules for 200 tractors

Interviews — A. L. M. WIGGINS • DR. C. R. SAYRE

Board Chairman, Atlantic Coast Line Railroad — *Director of One of World's Biggest Farms*

THE BOOM IN THE SOUTH— WHAT MAKES IT SO BIG

What is the meaning of the historic changes that are going on in the Deep South? What is happening to the economy, the social structure, the traditions of the Plantation States?

From South Carolina to Louisiana, the scene is changing. Factories built with Northern money spring up in cotton fields. The new industry challenges the North itself.

Cotton is bowing out. Other crops take its place. Negroes head north. The sharecropper and his mule dwindle. Farm hands work at machines, new money in their pockets.

Old customs are withering. Change is everywhere. And today, there are Yankees all over the place.

What caused it all? How long will it last? Where does the Old South go from here?

For the answers, members of the Board of Editors of *U. S. News & World Report* visited two men widely known in the South.

In these interviews, you get the story from A. Lee M. Wiggins, rail and industrial leader, and Dr. Charles Sayre, head of the Delta & Pine Land Company, in Mississippi.

"THE SOUTH IS THE GREAT AREA FOR THE FUTURE"

An Interview With A. Lee M. Wiggins, Business Executive

At HARTSVILLE, S. C.

Q Is the South today different from the South of a few years ago, Mr. Wiggins?

A In many ways, yes. Since 1940, the South has moved ahead much faster than the rest of the nation, and I think with considerable change in tempo. It's the first time the South has been reasonably prosperous. It's getting more and more industrialized, and there's been quite a development in progressive leadership in the South.

Our leaders are better educated, better trained. Many of America's outstanding and progressive leaders in business and industry, banking and merchandising are Southerners. Furthermore, we have imported a great many industrial leaders from other parts of the country, who have helped in this industrial development.

Q Sort of reversing the old trend?

A That's right, the Yankees have found the South a delightful place to live and to make money, and they've been welcomed here.

Q What changes do you notice in particular? Would you say industrial development is the biggest?

A Well, of course, we've had a revolution in agriculture—and are having a considerable change in agriculture—but I would say that the one economic development that has outshadowed all others has been the industrialization, the rapid growth of industrialization of the South.

Q Is that because there's a lot of raw material? Or is it abundance of labor?

A There are many reasons, in my opinion, why the South has progressed so much in the past 15 years in industrialization; some are general and some are specific.

Generally, there has been a decentralization of industry throughout the country—it's a natural movement to the South. There has been also some industrialization as a result of the availability of raw material, such as the vast expansion of the paper industry and the pulpwood industry of the South, because we have the trees and forests—timber. Then, as the South has become more prosperous, we have had more markets to supply in the South—it has a sort of snowballing effect.

In addition to these factors, there are certain peculiarities of the South or certain factors in the South that are rather attractive to industry.

One thing is that industry is welcomed in the South. It's welcomed by government—by State and local government—by business people, by workers, by everybody. Industries are not only welcome, we go out and invite them. And it's nothing unusual for a Governor of a Southern State to go hundreds of miles to call on corporation executives to tell them about the opportunities in the South.

Q You don't get any local resentments?

A I've never seen any evidence of that in the South.

On the other hand, there is a feeling that new industry is

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Plenty of Labor for Industry . . . Research Promises New Uses for Cotton . . . Bank Resources Growing Fast

an addition to our wealth and production and an opportunity for employment, and it's part of the future.

Q These Northern people aren't regarded as they were at one time, as carpetbaggers?

A Not at all. As a matter of fact, they don't bring many people in when they build a new plant. They bring a few people to train the local people. In some of the larger plants, they bring in 20 to 30 people to start with, and, after a year or two, the ones they brought in are reassigned to other places, and you'll have a half a dozen or so left—the rest of them will be local people.

Q We used to hear a great deal—and still hear some complaints in the North—that tax concessions are made in the South, and that is a part of the Southern appeal—

A Yes, that is charged by some people. A few places do that. Localities in some States have granted special tax considerations. They have sold tax-free bonds and loaned money to corporations at low interest rates.

But that kind of financing is relatively small and relatively unimportant in the large picture. I would say that such concessions are partly an intercity contest to get an industry into one town rather than in another community in the same State.

Q State-wide, many of the States have abandoned that practice, haven't they?

A I understand so. That kind of subsidy does not attract the kind of industry you really want. You don't want the fly-by-night, the price cutter, the wage cutter, the sharp operator. That type of industry doesn't help any section.

The real factor on the tax side, I think, is this—and I can illustrate it here in South Carolina—it is the fairness of tax assessments, property tax assessments on corporations. Now, in South Carolina the equalization or assessing power on property of corporations is vested in the State Tax Commission. It uses the depreciation device to equalize assessments of new mills against old mills, and so on.

To show you how fairly and satisfactorily it has worked out, we have a board in this State to handle appeals from decisions of the State Tax Commission in assessing corporate property for taxes. So far as I know, there has not been a single case appealed to that board in the past seven years. In fact, the appeal board is practically obsolete, because it never has anything to do.

The reason is that, when an assessment is made, the Tax Commission notifies the corporation of the proposed assessment. If the officers of the company think the assessment is wrong, they are invited to sit down with the Commission and state their case. When the facts are examined, you've either convinced the Commission or they've convinced you.

Now it's important from the standpoint of corporations to know that they're going to get fair and reasonable tax treatment. And that's not true all over the country, by any means.

There's another reason why industry is growing so fast in the South. Talking to manufacturers who have plants in the South and plants in the rest of the country, they tell me that when they build a plant in the South they can utilize the latest improvements in machinery, mechanics, electronics, automation, etc., and the people co-operate with them and work with them, and they have no labor trouble.

But if they try to put these improvements in some of their plants in the North, particularly those that are controlled by "closed shop" labor agreements, they find it very difficult; that the shop stewards are at their elbows to skim the cream off the savings. The workers in the South are quite co-operative, and the result is that management is able to utilize all

(Continued on next page)

A. Lee M. Wiggins has been a part of the business life of the Deep South, and South Carolina, for four decades. His first venture was a seed business in Hartsville, S. C. Later he organized the Trust Company of South Carolina and bought the *Hartsville Messenger*.

Today, at 64, in addition to his banking and newspaper interests, Mr. Wiggins is chairman of the board of the Atlantic Coast Line Railroad Company and a director of several other Southern firms. He served as Under Secretary of the Treasury for 18 months under President Truman. He still lives in Hartsville.

. . . "A lot of people don't want to join a union"

of these capital outlays to the greatest advantage in reducing costs.

Q That means, then, that the Southern plants are getting the most modern make of equipment?

A That's true, that's true, and when you think about the future of business generally—industry generally—whether business goes up or down, the South will be a little better off than the average because of its most modern mill equipment.

Then, there's another factor that I think is quite important—and many manufacturers have mentioned it to me—and that is the labor relationship in the South between management and workers. It's on a rather informal basis in most plants. There's not much union organization in most plants, and there's almost an absence of "closed shops" or "union shops."

In all of the smaller plants and some of the larger plants, the top management and workers know each other personally and deal with each other, and, if any complaint turns up, the worker goes right in and sits down and talks to the boss and they iron it out. The worker feels that the business is somewhat his responsibility—he feels a personal interest in the success of the business. You'd be surprised how general that feeling is among these workers, particularly where there has been a stability of employment—as it has been in most of the older plants.

I was amazed, with reference to stability of employment, when the Government was building the tremendous H-bomb plant between Aiken and Augusta—I asked a textile manufacturer who operates several large mills in that area how many of his employes left the textile mills to go work on this big building project, which paid very high wages. He said that, over a period of two years, the total loss of employes in his plant was less than 5 per cent. Well, stability of employment, now, that is worth a lot to management.

Q They've got people who are happy and satisfied?

A Yes. When they have satisfied employes, they turn out a better product.

Q Have you noticed any increase in the influence of organized labor?

A I would say, on the whole, that the organized-labor situation appears to me to be rather static. I think probably in certain limited activities—operations—there might be a little gain in unionization, but rather little in terms of the efforts made by union organizers.

UNIONS GO SOUTH, TOO—

Q Do you find that some of the new industries coming in, which in the North are unionized, are helping to introduce union labor to the South?

A To some extent, yes.

Q Because they're unionized there and they have to be unionized down here also?

A Because their unions are industry-wide, and when they open up a plant the union follows the plant. Yes, that's true. On the other hand, we have "right to work" laws in this State—and in most Southern States—that, in effect, prop the door open against the "closed shop."

And there are a lot of people in the South who don't want to join a union. They want to be independent. Even many who join a union want to feel that if they don't like the way it's run they can resign and they won't lose their jobs. And that freedom is right important to the dignity and independence of a lot of people.

Q Does that, Mr. Wiggins, grow in part out of the fact that a great many of these workers have an agricultural background and an independence that grows out of it?

A That's right, and they will have it. I'll give you a fairly typical situation of industrial labor in the South: In the old days, as you know, when a cotton mill was built, they built a village and crowded the houses around it. That plan has long since passed out of the picture. Even the largest plants today don't require any houses. Industries don't even build their plants in a city or town. They build them out in the country. The reason is that they have found that there's plenty of labor available from the farms. The farm crop of babies is an unfailing crop, and the South always has a surplus.

"SURPLUS OF PEOPLE"—

Talk about surplus of commodities—we have a surplus of people, because agriculture needs less and less people to produce more and more commodities. So we have a surplus of people. Now, they can either go to the cities and other places and work in industry and service trades, or, if we bring industry to the South, they don't move at all.

They continue to live on the farm. They have their automobiles and can drive 5, 10, 20 miles to the plant, work 8 hours a day, 40 hours a week, and bring home the cash. They have about everything in life that most people want. They have a home and a few acres of land, they have the wide-open spaces and they have their independence. They have their cows, chickens, vegetables, garden, and leisure time and something to do with it—many of them have fish ponds.

Many people in the South take relaxation right seriously. The fishing business, I guess, has grown more than any other activity in the South in recent years. They have found out how to make a fish pond on every hundred acres or so. They also have all the conveniences, the gadgets of comfortable living. With electricity, a telephone, running water and a paved road, you have about everything you need. You have your automobile, electric refrigerator, cook stove, television—you have everything the city dweller has.

Now, the worker in the city, he has these things, too, except that he doesn't have the space to spread out. He doesn't have that independence. Suppose the mills are shut down or go down to three days a week. The fellow in the city, he's out on the pavements and in the tap room, and crowded around and raising "sand" about things that he thinks are wrong.

Well, in the South he's at home on his farm, he's fixing up his hen house, maybe plowing a little in his garden. He's got plenty to do around his place—and he's on his own. And, perhaps the fish are biting.

His whole life is one of a great deal of independence, and nobody can tell him what to do—no labor leader, no manager of a plant, and nobody else. Sometimes he's a little obstreperous about it, but, at any rate, that's the way he feels, and it's the good life. I've said many times: What do people want out of life, anyhow?—that more people can get more of the real satisfactions of life—the biggest proportion of the population—in this rural-industrial life we have throughout the South than can be had anywhere else on earth.

Q What would you say about a wage differential, as between the North and the South?

A It's rather difficult to make a single measurement and say that is it. I would say that in many cases the wages for the same kind of work are the same in the South as in the

North. And it is particularly true in new industries that start up, the wage scale is about the same. There may be slightly lower wages in some industries in the South that do not come under federal wage-and-hour laws.

On the other hand, the people in the South who work in industries that pay time and a half after 40 hours seem to be more willing to work more hours to get the penalty pay of time and a half. They like to get more in the envelope at the end of the week. And the result is, if you take it over the period of years, even though they might, in some cases, get a little less per hour, the difference would be very small but the take-home pay for the month or year would be more.

Q Is the cost of living in the South less?

A The cost of heating houses is some less.

Q Food cost is about the same?

A Food costs don't vary very much in the United States, except, possibly, fresh vegetables, locally grown. And, of course, most of these people have gardens and can grow a lot of their own vegetables, chickens and eggs and things like that. So the cost of living—with a little energy—is really substantially less in the South.

Q Are there any other considerations?

A The most notable things, the basic things—I get back to the proposition that many people, under the stress and strain of modern life, are giving more and more thought to some of the fundamental questions of life. They're trying to find some release from the pressures, the turmoil of this highly developed, modern life that we have. They're asking themselves: After all, what are we here for, what do we want out of life? And I think we've found more good answers to such questions, for more people in this part of the country than they have found most other places.

Q Would you say that the old farm economy is gone—cotton?

A Not at all. I'd like to point out that we have had some shift away from cotton. And I'm quite concerned about the outlook for cotton today because of the tremendous increase in the production of cotton in the other countries of the world.

For example, in the last seven years cotton production in Mexico has gone up from 300,000 bales to 2 million bales a year—in seven years. And in many other countries of the world the production of cotton has gone up the same way. So that, in spite of a glut of American cotton, which we're having to support pricewise in order to protect the farmer, foreign markets for raw cotton are getting more and more away from us because of increased production in other countries.

And now they're manufacturing that cotton and shipping it back to the United States at prices below American production costs—they have cheaper labor. The Japanese, for instance, with their 8 million spindles—about 40 per cent as many as we've got in this country—they're dumping textiles right back in our lap and undercutting our domestic textile industry. That is the cotton side of it.

CHANGES IN TEXTILES—

Q Could you throw any light on this: In New England, for instance, they're complaining that their textile industry is moving almost bodily into the South. Why?

A Well, the facts are that the textile industry is not moving from the East to the South. The textile industry is dying in the North but is maintaining itself in the South and with a little gain. The total number of textile spindles in the United States has declined, but efficiency and production have been improved with new machines. The total number of spindles has declined substantially, but the big decline has been in the East, whereas in the South there has been an increase of about 1 million spindles.

NORTHERN MILLS CLOSING—

Q You think Northern mills are closing up rather than moving, then?

A That's right. They just close up and fade out of the picture. Practically all the expansion in textiles has been in the South. People have a wrong idea about the textile industry moving to the South. It hasn't actually moved South. The mills in the North and East, one after another, simply close up because they can't operate at a profit.

Now, the textile business is a tough business. There's only a very small margin of profit, and, in spite of tremendous capital outlays, being a world-competitive commodity, it's a tough business in which to make a profit. In spite of this, South Carolina last year moved into first place among all States in the production of textiles.

Q That is, cotton textiles?

A Cotton textiles. And it has also developed tremendously in synthetics, and now the woolen business has started moving in—the new woolen plants are being built in the South.

Q They must be going to have synthetics, too?

A Yes, and synthetics. Du Pont has a tremendous plant near here at Camden, S. C.

Q What kind?

A Orlon plant. The textile business hasn't moved by just closing plants in the East, taking out the machinery and moving it down here. There may have been some incidental cases of that kind, but basically what's happened there is that the textile industry of the East has dried up because of high costs and high taxes while the textile industry in the South has modernized and kept replacing machinery until there has been some gain in textile spindles in the South. And, incidentally, I understand that in many cases textile wages in the East are lower than they are in the South.

Q They used to complain that one of the reasons why the South didn't grow was freight rates. Has that changed?

A Well, there was a lot more that you could argue about and confuse the public politically on the subject of discriminatory freight rates than there was actual substance to the complaint. Any inequities that may have existed have long ago been ironed out. They were largely "paper" rates on commodities that did not move in the South to any substantial extent.

When the traffic began to move in volume, freight rates were adjusted accordingly. They had no adverse effect on the industrial development of the South. Any present charge of discrimination is purely fictional—most of it was fictional all along.

Q What about Negroes migrating North—what is the story there?

A Historically, the Negro has been leaving the South in substantial numbers for a long time. I have before me some population figures on South Carolina, and they show that there was an actual net decline in the number of Negroes in South Carolina between 1920 and 1930 of 70,000; that many more left the State or died than were born or came in the

(Continued on next page)

. . . "There will be more opportunities for Negroes"

State. During that same period there was a net increase in white population of 125,000.

That trend has continued, in varying degrees, for the past 35 years—and before that to some extent. The result is that the proportion of white and colored in the South—as shown by the figures in South Carolina—is gradually changing. In 1920, of the people in South Carolina, 48.5 per cent were white, 51.5 per cent were colored—that was in 1920. In 1950, due to the increase in population of white and the relatively static population of colored, the white population constituted 61 per cent against 39 per cent colored. The trend is continuing.

I have just made a projection of population for the next five years in connection with some studies we're making of fiscal affairs of South Carolina, and it indicates that there will be a net increase in population in South Carolina of 5.4 per cent, but that will consist of a net increase in white population of 8.8 per cent and by a decrease in Negro population of 0.28 per cent. Now, this is a scientific population estimate, but it is naturally based on certain assumptions and observations.

It indicates a continuation of the migration trend of the Negroes, and it works out, if correct, that at the end of 1960 only 34.9 per cent of the population of South Carolina will be nonwhite. So you can see the changing character of the ratio of white and colored, as a result, largely, of the migration—the moving away—of colored people from the South.

Incidentally, 50 years ago it was estimated that 40 per cent of the rising generation of white people left South Carolina. A history written at that time records that estimate. The best estimate that our statistics and economists can give today is that only about 7 per cent of the young white people—the educated, the college graduates and people looking for professional and business opportunities—that only about 7 per cent are moving out of the State. On the other hand, we are having a big influx of trained and educated men and women coming to the South from all over the country.

Q So you get the picture, then, of the younger Negro moving out, your white man staying, and more younger white people coming in?

A That's right, that's what is happening in this State and throughout the South generally. Now, as we industrialize more there will be more opportunities for the employment of Negroes, but we're moving ahead so fast in education that, my theory is, as more Negroes get more education they will acquire more skills, and they will migrate to look for opportunities to convert their training and skills into higher income.

NEGROES LIKE SOUTH—

Q Will they look in the South, then, Mr. Wiggins, or will they look in the North, do you think?

A I think that most of them prefer to stay in the South. In fact, a great many that go to other areas—eventually, a lot of them come back. They find the South in many ways more satisfactory.

Q The South is not disposed to change suddenly, is it, Mr. Wiggins?

A Oh, it's slow. Of course, you have some remnants of the old aristocracy in certain areas in the South who think that anybody that doesn't have a family tree of a hundred years or more in that community is an outlander—but that's not the spirit of the new South.

Talking about the "new South," I recall that when I graduated from the Durham, N. C., high school in 1906, I was one of the student speakers. My subject on that occasion was "The New South"—1906, fifty years ago—"The New South." We've been looking for the "new South" all these years. It's only come in the last 15—but it's here.

BIG BANK RESOURCES—

For instance, it may surprise you to know that in the matter of bank resources—do you know that the banking resources of the South today, from Virginia to Texas, are twice as much as all New England? That's an astonishing fact! Do you know that in the past 15 years, banking resources in the United States have increased, roughly, three times, while in the Southern States they have increased from four to eight times?

We've never before had any real money of our own in the South; we've had to borrow most of needed capital from friends in the North. For the first time the South now has its own capital and can develop its own industries. Not that we don't still need and welcome outside capital, but there is not such a great dependence on it as there was prior to 1940. The South now has many large banking institutions, many substantial insurance companies—more financial institutions of all kinds. The South has grown faster in financial resources in recent years than any other part of the country.

Per capita income in the South in the last 15 years has grown faster, proportionately, than in the rest of the country. In 1940 the per capita income of the South was only 50 per cent of the average of the United States; whereas, in the last 15 years, this area has not only kept pace with the rising per capita income of the rest of the United States, but the South has moved up proportionately from 50 per cent to 67 per cent. We're moving toward the national average.

It's slow, and the national average may not be reached for a long time because other areas have an accumulation of wealth, a concentration of money and industry, and so on, but this area is moving ahead at an accelerated rate faster than the national average.

And, speaking of the Negro, my theory has always been that the South cannot be most prosperous until the Negro is more prosperous, and until the Negro can carry more of the load of the cost of government, of schools and colleges and governmental services, and takes up more of his load that the white people are carrying. And so I've always advocated the development of economic opportunity for Negroes in the South.

Q How do you feel about segregation, Mr. Wiggins?

A I would say that, unquestionably and almost universally throughout the South, the people resent the decision of the Supreme Court to try to end segregation by judicial fiat. In my opinion, the South will do everything humanly possible to nullify the effect of that decision. As I appraise public opinion in the South, it seems to me that the preponderant opinion is that efforts to abolish segregation by judicial decree will react adversely on the economic advancement of the Negroes, who have made such good progress in recent years. It will also further increase the migration of Negroes away from the South to other sections of the country.

Now, you asked the question as to how the migration of the Negro is regarded in the South. My estimate of the opinion of the South—and what I'm saying does not necessarily

represent my own thinking, but I'm trying to give you an appraisal of public opinion in the South—it is generally believed throughout the South that an acceleration of the migration of the Negro away from the South that has been going on for the past 40 years or more, with the resulting increase in the ratio of white to Negro population in the Southern States, is beneficial both to the white people and to the Negroes who remain in the South. That, I believe, is generally the viewpoint of Southern thinking.

Now, I'd like to make this point, that people elsewhere sometimes fail to appreciate, that, excepting the fringes near the bottom in the social-economic life—except the fringes—that Southern people, generally, are friendly and helpful to the Southern Negroes.

COURT DECISION RESENTED—

The Southern white people know that they have made a considerable contribution to the educational advance and the economic progress of the Negroes throughout the South. And the thing that the Southern people most resent, other than the Supreme Court decision, itself, is the inflammatory efforts of people in other sections of the country, both white and colored, to stir up antagonism between the white and the colored people in the South.

To be realistic about this thing, we should realize that the problems of race relations have not been solved in the 6,000 years of the recorded history of man, and they will not be solved in one year, or in one generation. Now, it seems to me that a sensible solution and a practical approach would be for every community to work out its own interracial problems in a spirit of moderation and good will and without interference from the outside.

We will go further, accomplish more, with less disruption, and with greater benefit to all by doing it that way—which was the way it was being accomplished before the Supreme Court decision—than we will by any arbitrary, judicial, legislative or mandatory legal action.

From the standpoint of the South, I consider that the problems arising from the various efforts being made to end segregation of the races under the Supreme Court decision constitute a most serious threat to the continuing economic and social progress of the Negro in the South. These are my observations on this very difficult subject. I might add that few people in the South have been more interested in helping Negroes than I, and I believe I enjoy the confidence of the Negroes who know me.

Q Do you think, Mr. Wiggins, that the net effect of the Supreme Court decision has been to give a temporary setback to the progress that was under way toward improving race relations at the time?

A I think the problems arising out of the efforts that are being made to make that decision effective, not only in schools but applied in other areas—educational, social and economic—will set the Negro back in the South substantially and drive him to other parts of the country where the problem is going to be even more severe, in many places, than it is in the South.

In many areas of the country where a lot of Negroes have moved to, while there's a theoretical gesture of interracial equality and opportunity, actually, when it comes to dealing with the individual Negro, the people are less tolerant than they are in the South.

And I think that problems are going to multiply and troubles are going to break out in these other areas. If the issue is not forced in the South, the situation is moving right, going right ahead. The Negro is progressing and the white people with their increased prosperity are providing them with better schools and better facilities and better opportunities, and encouraging Negroes to go to college and become doctors and dentists and nurses, as many of them are doing.

Q Mr. Wiggins, what do you see ahead in industrialization of the South?

A Well, I think, industrially, that a plateau in textile-plant capacity has about been reached for the present—except for certain fields and products in which likely there will be further substantial expansion. Most of the further expansion of the textile industry, no doubt, will be in the South.

The expansion of the paper industry in the South—pulpwood—will continue to a considerable extent, substantial extent, but possibly not as much as double what we have now and in prospect. These are the two areas in which industrialization has moved ahead pretty fast in the South in recent years. When it comes to the chemical industry and other industries, generally, I believe there is in prospect a greater increase in diversified industry in the South than there has been up to now.

I think very significant the decision of Ford Motor Company to build a large glass plant at Nashville, Tenn. It's Ford's first complete manufacturing plant in the South; and it will be their largest manufacturing plant for glass for automobiles. They selected Nashville, Tenn., because of a combination of raw materials, water, transportation, labor and other favorable factors.

On the subject of labor supply, I would like to point out that the South remains the largest reservoir of potential industrial labor supply—of trainable workers—anywhere in the United States. You can drive a stake—we've had surveys made—you can drive a stake almost anywhere along the Eastern Seaboard in the South, inland, say, 50 or a hundred miles, which is the most concentrated agricultural area and the least industrialized; and in most of those areas, farming communities, you can build a mill where you drive the stake and get from 500 to 2,000 workers from that area without having to build a single house.

There is your reservoir of future labor supply that is trainable and productive and efficient—for the expansion of industry in this country. So I think we're going to see a continuing accelerated development in the South, because of the factors of labor supply, satisfaction of operation, a hospitable environment, expanding markets and all other factors that I've mentioned before.

AN EXPANDING MARKET—

Q You mentioned, a little bit ago, the growth in per capita income, the new banking resources in the South—that means an expanding market?

A That's right.

Q Are these people spending their money as they get it? Do they have a big backlog of needs?

A Well, in many cases their first money, of course, goes in an automobile, and in a home. It's interesting to observe, when a new plant is built in the South, the first problem is parking space. They build the plant and more parking space. You see the people come in from that area—we'll say it's an

(Continued on next page)

. . . Wiggins: "Poverty and ignorance no longer characteristic"

underdeveloped area, industrially—and, when they begin to come in, they come four or five to a car—they pool the ride.

As time goes on, there will be fewer and fewer people riding in each car, because there will be more and more cars. And then you see the aerials go up on the houses for television all around the country and other evidences of improved standards of living and the gadgets of comfortable living. It's amazing, just to see it unfold, the pattern—everywhere, the same thing.

So I think, looking ahead, that the South is the great area for the future of the country because, among other things, we have as yet achieved an average per capita income of only 67 per cent of the U. S. average. There is a long way to go to catch up with the rest of the country. This means that many unfilled needs only await increased income to be supplied.

Q In some sections you have almost a 90-year backlog of needs, going back all the way to the Civil War?

A You refer to the "ill-clad and the ill-housed"—well, we have some residue of that, just as the cities have some residue of the slums, but progress is moving along and most of our "ill housing" is abandoned cabins on mechanized farms throughout the country that will never be used for human habitation any more.

From a nutrition standpoint, 40 years ago pellagra, a nutritional disease, was a great problem in the South—you never hear of pellagra any more. Here and there throughout the South are islands of poor people, poor land and poor farming where the people just won't leave—you still have some of them left, but they're like the island that the waves wash against—eventually they will disappear. Poverty and ignorance are no longer characteristic of the South—the South is building the best of the new on the foundations of the best of the old.

It is a land of satisfying living.

COTTON—STILL THE DEEP SOUTH'S PROBLEM

An Interview With Dr. Charles R. Sayre, a Leading Southern Farmer

At SCOTT, Miss.

Q It's been said, Dr. Sayre, that you have perhaps the largest row-crop operation in the country here—is that right?

A It is, with perhaps some exceptions in California.

Q It's British owned?

A Yes. It's a Mississippi corporation, unique in that we have a charter issued directly by the Mississippi Legislature. However, our stockholders are all in England.

Q And they form a Lancashire corporation?

A Yes, the Fine Spinners & Doublers, Ltd., in Manchester.

Q What can you tell us about the transition in agriculture in the South? What is the future of cotton, for example?

A Cotton prospects have been looked upon by many people with greatly varying backgrounds and with a wide range of answers, many of them right pessimistic. Much of the pessimism is associated with accumulating supplies in this country, increases in cotton production elsewhere in the world, and increases in the competitive influences of synthetics.

This must be taken as a serious, most serious threat to cotton. However, cotton has many natural properties, such as its launderability, its excellent feel to the skin, and its excellent resistance to contaminants, which make it highly attractive for textiles. But, beyond that, research with cotton promises many new properties to offer in the textile raw-material fields.

Q On this big row-crop operation you are using every mechanical device, chemicals, with all sorts of experts to handle various crops as you need them, and are making money and can make money. How about the small farmer in the South? What is his situation?

A It varies a great deal by systems of farming, and by the inherent fertility of the soils, and timber resources, and the water resources in different parts of the South. And it varies with such other factors as the locations in which there are opportunities for off-farm employment for one or more members of the family. And, in addition, it varies in terms of the availability of local market outlets for, we'll say, dairy products and poultry products—those lines of production in which a relatively high value is produced on a small acreage.

It is impossible to generalize in terms of size, but it is easy to recognize that any farmer will resist policies or resist approaches that will reduce the income on his farm in direct ways, while the same approaches will reduce his costs of farm operation, or cost of living, only in indirect ways. Such impacts tend to become more acute as the size of farms decreases, as the cost of living for a farm family makes up higher and higher proportions of the total farm-operation budgets.

That's one of the reasons why people are unwilling, for example, to take price cuts in order to retain a market. Many an individual grower, unless he's in a specialized product, can't see why his taking a reduction in price conserves his market. The reasoning is that direct reductions in income will be so much greater than the indirect effect on market price and volume.

Q Maybe he's getting to the point, in some cases, where he can't take any more price cuts—

A That's true. For the farmer that's indebted, his views are not: "What's to my best interest 10 years from now?" His views are: "How do I feed my family and keep my interest and mortgage current now?" It's true that the general indebtedness picture in agriculture has improved, but there are many who do have substantial debts, and when you get their reactions it's big enough to be a substantial group.

Q And some people just can't afford to mechanize?

A I think that a great deal of progress has been made toward joint use of equipment, much progress has been made toward decreasing the size and increasing the efficiency of small farm tractors. And I think, too, that the alertness on the part of the small farmer to rounding out his income has been a very important thing in enabling him to take the reductions that have come his way—and have come to all of agriculture—during the last three years.

You must recognize that a reasonable goal in agriculture is comparable incomes, comparable returns in relation to productivity in other economic activities.

Farmers logically ask why the price-costs vise tightens while economic risks are cushioned one way or another in much of the rest of the American economy.

. . . "The price squeeze for farmers" will go on and on

Q What hopeful developments do you foresee in Southern agriculture, Dr. Sayre?

A One is the chemical advancement in relation to farming—it now permeates many, many phases of production. It's increasing productivity both per worker and for the total. For example, treatments of seeds for the control of diseases, fertilizers, insecticides, and the use of chemicals as herbicides—all are vastly important.

It could have a greater relative effect on the future progress of Southern agriculture than in other sections. We have fewer limitations in temperature and other climatic conditions.

Accelerated gains in the use of chemicals are one feature that we can look toward to bring per capita farm income in the South up to that of the rest of the country. It is now about half.

An additional point is that irrigation—supplementary irrigation—offers great opportunities. Based upon four years of research here at Scott, we have increased the net yield of cotton per acre by about 30 per cent, on the average, through supplementary irrigation.

One could say: "Well, that's bad, because it increases the supply of cotton—it gives you the techniques which could further increase the supply of cotton." But we can never reach a competitive position with either synthetics or production abroad unless we reduce our per-unit costs in this country, essentially through technological advancements and higher yields.

Q Is it a chance to nullify acreage controls?

A In a short run. But, again, I feel that we've gotten too much of a short-run view and too narrow a perspective on cotton problems.

DANGER OF RESTRICTIONS—

Q In other words, do you think you can go along forever with a policy of scarcity and compete?

A Well, I don't think you proceed with various combinations of market and production restrictions, and, at the same time, attain a high-enough level of productivity in this country to offset the low-wage scale and the government subsidization found in other countries.

I want to stress the fact that we have stringent market restrictions in cotton as well as production restrictions. We have sold 19 other agricultural commodities in world trade channels at prices below domestic levels. Our Government refused to allow the Commodity Credit Corporation to sell cotton abroad on such a basis until the very restricted plan activated Jan. 1.

Q Would you say that the solution of the cotton problems lies in productivity, Dr. Sayre?

A Productivity and efficiency as they relate to production, transport and distribution—all three. But beyond that are the catalytic effects which further improvement in farmer and business relationships could play in reducing the role of Government in the farming picture.

We must not fail to recognize that what is termed a "price squeeze" for farmers at this point is something a bit more than that. "Price squeeze" as a term gives the impression that the situation is a temporary one, something that could easily push its way out of the picture next year or the year following.

But the continuing price squeeze comes in this way: Inevitably farm prices have to come down in some way if a balanced abundance in production and utilization is to be attained.

Dr. Charles R. Sayre is an authority on cotton and other aspects of Southern agriculture, runs one of the largest and most modern row-crop plantations in the world—the Delta & Pine Land Company, at Scott, Miss.

A Yankee from Illinois, Dr. Sayre studied agriculture at the University of Illinois, won a doctor's degree in economics at Harvard.

Dr. Sayre is a former Director of Farm Management Research in the Southeastern States for the U. S. Department of Agriculture and is coauthor of a textbook on farm management. He is 41 years old.

The Government has a role to play in cushioning the adjustments. On the other hand, farm-machinery prices are up about 9 per cent, spare parts for machinery are up 20 per cent, railroad rates and, for that matter, trucking rates are up. Prices paid by farmers are sticky, they're not reversible. I see little possibility of their coming down; they're institutionalized.

Q Where does the cotton farmer go from here, then?

A If the costs structure for agriculture can't go down on the price side, it can only go down mainly through technological advancements with increased yield and lowered unit costs. So farmers are faced more nearly with a "price-costs vise" than a temporary squeeze. We can screw that vise a good deal tighter by failing to realize that we can be good citizens in the free world and still retain a part of the world trade in agriculture commodities. This is particularly true unless we move further toward increases in consumption throughout the free world.

The consumption of cotton is about 6 pounds per capita outside the United States compared with 26 pounds per capita here. The United States Department of Agriculture and the National Cotton Council of America have joined with the cotton industries in most of the individual countries in Europe in promoting the consumption of cotton. It is an attempt to

(Continued on next page)

. . . Hope for the South: Industry brings a "broadened market"

build world markets just as we are trying to build our domestic markets.

To me, the widening of world consumption channels is one of the real opportunities if we hope to keep income levels on farms from dropping to where the price-costs vise becomes too tight and cuts levels of living more than people will accept politically and more than will make farming an attractive occupation.

Q Isn't there a transition today in the agriculture of the South, Dr. Sayre—less cotton, more beef crops, more cattle?

A Yes, there are three transitions going on simultaneously in the South. Southern farms are building around cotton and tobacco with further diversification in the direction you have just mentioned—beef crops, pastures, cattle and soybeans. The second major transition that is well along in some areas and just getting under way in others is the shift to full utilization of mechanical power—tractor farming. The transition toward mechanization is pretty well complete in the Mississippi Delta area, with two exceptions. One exception is weed control—

TREND TOWARD MECHANIZATION—

Q You mean, cotton chopping?

A Yes. And the other is harvesting cotton by hand, which will, of course, continue to be a part of harvesting for many years. But the trend has been accelerated greatly toward mechanical picking during the last three seasons.

The third transition, of course, is the adjustments in the South's economy to the broadened markets that have come with industrialization in many places. The latter is less apparent at the moment than the others. But it must be kept in mind that it's one of the real opportunities for Southern agriculture in the future.

Q The market for your own products—

A Right—further development of local markets for our own products. That has meaning for cotton, too. There isn't too much reason why the dresses that you see in many shops in the South—I'll say, for service people—why they shouldn't be cotton rather than, say, nylon. Certainly, it's a fiber much better suited for our climate. There is much emphasis—by local groups, as you know—on "wear cotton" programs, with the National Cotton Council taking the leadership.

You can't help recognizing that if members of about 950,000 cotton-farmer families actually wore more cotton—some of the fine new cottons now offered—an increase of even 3 or 4 pounds per farm person per year would be a helpful factor.

There is an aspect of the current problems encountered with cotton that should be recognized by more of us. We look mainly at the accumulated supply, which is getting close to 14 millions of bales. That's the statistic apparent to all of us.

And yet you have a reserve of cotton in your dresser drawers and on the shelves of your own home—everyone else does. There is a reserve in the pipe lines: at the retail level, the wholesalers, the mills, finishers and, for that matter, in trade channels of raw cotton. Well, there must at least be six or seven times more cotton, if you measured in bales, in this whole chain between the grower and the consumer than we have in this 14-million-bale accumulation of raw cotton.

Q That makes you think 14 million bales look pretty small, then?

A It raises the question, certainly, as to whether or not we are concentrating too closely on the accumulation of raw cotton rather than broadening our search for solutions working both ways from the obvious supplies in cotton warehouses.

The other big factor in cotton's competition in the raw-cotton stage is increases in cotton production abroad as we have reduced our acreages in this country. As you know, the International Cotton Advisory Committee includes representatives of most cotton-producing and consuming countries in the free world.

As early—I believe, more than two years ago, Mr. John Davis, who was then Assistant Secretary of Agriculture, at a meeting of the International Cotton Advisory Committee in São Paulo pointed out that the United States could not make the entire adjustments in cotton supplies for the whole free world. Although we are a big factor in world cotton trade, in the views of Mr. Davis, speaking officially for the Department, we cannot withstand world cotton-adjustment impacts on the Southern segment of our economy. He went further to say to this group that if, as we continue to reduce acreages, they continue to expand, then we would have to take measures to counteract it.

That was the beginning of what has since been a long series of arguments as to how we should approach this matter of the United States' role in world cotton trade.

Q What proportion of the world's cotton comes from the United States now?

A We have a historical record of supplying about 60 per cent of the world's trade in cotton.

Q It that coming down?

A Yes. Recently more nearly to the magnitude of 30 per cent. This year probably to about 2 millions of bales, while 60 per cent of the market would be represented by 5 to 5.5 millions of bales.

NEW COTTON AREAS ABROAD—

Q Where are the big expansions taking place?

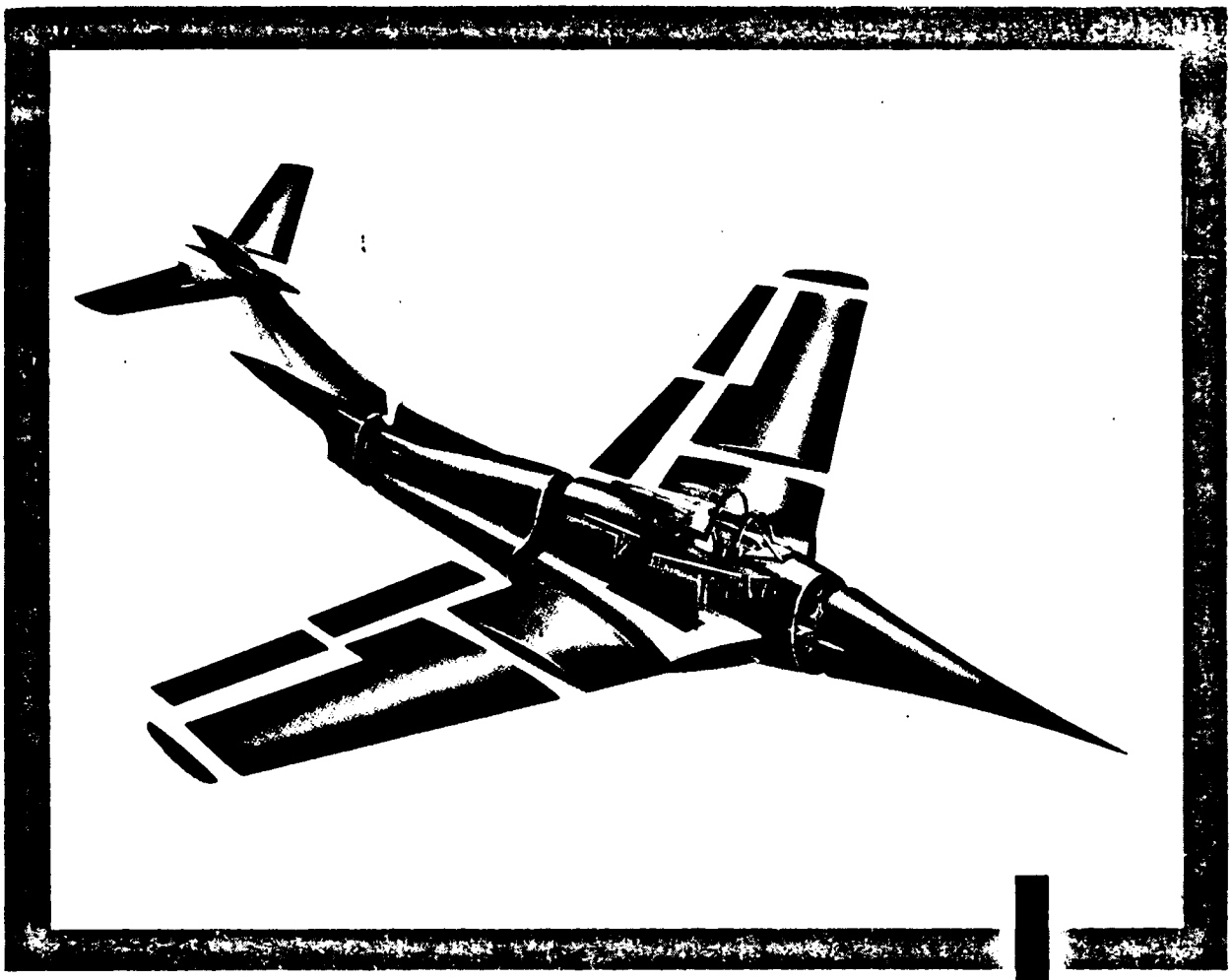
A The big expansions have been primarily in Mexico, Central America, Turkey, Pakistan and East Africa. The expansions themselves can be readily recognized as a logical step for some of the lesser-developed in the use of some of their resources. Yet, the challenge must be met.

A part of our cotton problem stems from inconsistencies in our own policies. We have moved to keep down surpluses of other agricultural commodities through sales abroad and diversions in this country into one or another lesser-valued uses. Whereas, with cotton, our Government has persistently—up to now—said that we are not in a position to move into world channels of trade in that way. Nor have we made much effort to divert cotton into lower-valued end uses.

We have not as yet implemented policies implied by Mr. Davis at the São Paulo meeting of the International Committee. We have taken a step in that direction—a small step. We have announced a program of offering at competitive world prices not to exceed a million bales between January 1 and July 31, 1956. These sales are to be limited to cottons that staple 15/16 inch and shorter. Now, gentlemen, I must point out why we have these big supplies of short cottons: They're not particularly wanted in the domestic market. It's not easy to go abroad—or go into any market—and sell something favorably when you don't want it at home.

Q About diversification: What are the effects of it? Can you tell us a little bit about what's happened there and what is happening to the sharecropper?

(Continued on page 70)



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DALLAS, TEXAS

. . . "Sharecropping has been reduced in importance"

A We have had during the last three years under acreage controls a reduction of almost 40 per cent in cotton acreages. Sharecropping has been tied mainly to cotton in the Deep South. Adjustments in cotton mean adjustments in jobs.

Additionally, changes in the make-up in the working force have, as you know, been going on for several years. As laborers have found opportunities elsewhere, machines have been pulled in to replace them. There's been a different phenomenon in mechanization in cotton than occurred in phases of wheat mechanization. In wheat areas there was a good deal more push from the machines themselves. Here it's been necessary to adopt machines, or else bring in labor from sources such as Mexico under contract.

The effects of World War II and of the Korean war must also be recognized. As World War II finished, many Southern farmers took the attitude that "we must gear ourselves now to mechanized farming in a full-scale way or else we can't compete with farmers in the rest of this country or, for that matter, abroad."

Looking at it, then, from the standpoint of the farm worker, he had two alternatives offered to him at that point—three alternatives: one, to continue sharecropping; two, to work on a cash-wages basis, living on the farm; or, three, to move off the farm either to a nearby town or small city or to an industrial area in some other section of the country.

GOAL: STABLE LABOR SUPPLY—

Q What's happening then, on the whole?

A Sharecropping itself has been reduced in importance by well over one half since the end of World War II—in this alluvial area. Shifts have been to hiring labor on a wages basis, mainly by the day; but to try to develop a stable labor supply that will stay on the farm on a year-around basis. In conjunction with that, a cash-wage earner in this section is provided with a house and the opportunity to have a garden, hogs, a cow and chickens.

Those that have stayed have tended to be the older members of the family. Also, more women have stayed than men.

As young people come along, they are improving in their efficiency. They have a much better understanding of machinery, whether it is a tractor, a plow, or a truck, or an electrically driven piece of equipment.

Q They learn—they pick it up rather rapidly?

A Yes, they learn much of it at home just as you and I do—with the family car and the family appliances. Our schools have been giving more attention to vocational training during the last few years than ever before. Extension services—State and federal extension services—have emphasized, along with the vocational agriculture departments, the needs of training for both colored and white farm groups in the handling of mechanized equipment.

Q There has been, however, a great deal of migration—what form does that take?

A It's a two-step sequence for many people here: first, moving from a plantation to a nearby town—

Q Is there any economic opportunity for them in that nearby town?

A Yes, it's surprising the extent to which they have found employment in the service trades. A good many of them depend upon coming back to the farm in labor crews at peak periods of chopping and harvesting for a high proportion of their annual earnings.

Q Does that tend to crowd a town the size of Greenville?

A Yes, it does—

Q Housing conditions aren't adequate?

A Well, there are just more people than there are houses—for a good ratio of rooms to occupants. Negro housing has been improved some, but it could be improved a good deal more.

Q You spoke of a second step, that crowding would tend to push them toward an industrial area—

A I think there is a recognizable push from living conditions in prompting moving on to industrial or larger urban areas. However, I wonder if the ratio of occupants to rooms, and other features relative to housing, are much better in the more-concentrated industrial sections than we have in many Southern communities.

Q They might think it would be, though—

A Well, it may be that the grass does look greener on the other side of the fence.

I believe the main impetus, however, is higher wages. When contacts develop through other members of the family or acquaintances in industrial areas, a personal touch is added. It takes form as, "Well, we'll try to see to it that you get over that first month or so—get your job and get established." I think that is the sort of thing that has helped to make changes a whole lot easier.

Q Where do most of the Negroes in this area go when they head for an industrial area—Chicago?

A The majority go up midcontinent routes—Chicago, Detroit, Peoria. There are some, of course, who go west. There's a great deal of attraction by the Pacific Coast for many folks—both colored and white. We don't get the impression that many of them head in the direction of the Middle Atlantic and New England States.

Q Do you have any local figures on migration from this area?

A Between 1900 and 1930 the population of this county, Bolivar County, grew rapidly—doubling in 30 years. The white population increased about 400 per cent while the colored population increased about 70 per cent. Since 1930 the county's population has decreased more than 11 per cent. The colored decrease approximated 20 per cent, compared with an 11 per cent increase for whites.

The people who have moved from here usually go first to Greenville, Cleveland, Memphis, then on to the Midwest cities—from this immediate Benoit-Scott community.

At vacation time and during Christmas holidays, when some relatives come back from Northern communities, there is an acceleration of outmigration.

Q They describe the wonders of the North and high wages, and so forth?

A Yes.

YOUNG PEOPLE MOVE OUT—

Q Is this migrancy among the younger people?

A The outmigrants are the younger people, they are the people from 20 to 35, for the most part—

Q The people of productive years?

A They tend to be, yes.

Q Does this tend to leave the community with the very old and the very young?

A Yes—but we must recognize that it is the usual pat-

(Continued on page 72)

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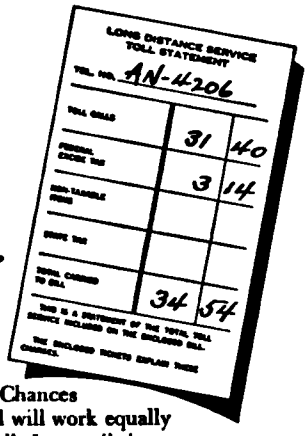

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. . . Southern workers "adapt readily to factory discipline"

tern in this area not to push an elderly family out of its home. You try to give them something to do, which tends to mean lower average productivity per person than it might be otherwise. I don't want to overemphasize that as a big factor, but it is a factor.

You really get to where you have dual social security. At the moment here, we're providing some measure of security for the over-aged who are not eligible. Yet, at the same time, we must participate in the current program to get ready for the future.

Q Are you getting a good deal of immigration of white people?

A Yes, the largest source of inmigration in this area has been people from the areas where you've had incidence of drought for a high proportion of the last 10 years, such as the Southwest—people moving in to set up grain, feed and cattle operations. The development of rice culture here in Mississippi has been another factor bringing in people from the older-established rice areas who have the know-how to grow rice.

NEGRO POPULATION DECLINES—

Q Isn't this pattern of outmigration of colored people and immigration of white people—isn't it rather important to the future of the South? Isn't the whole pattern, then, to get somewhat of a leveling out of the ratio of white and colored people?

A Perhaps the best description would be that the white population tends to remain relatively equal in its increases to that of the rest of the country, whereas the outmigration of colored people is going on and at a rapid-enough rate to reduce the total population, perhaps, in this area, 1 per cent a year.

Q If you project that, say, 25 years, it would mean there would be a good many more white people than colored people—

A Well, the proportion of white to colored would have changed remarkably.

Q Your ratio here is still about two or three Negroes to one, isn't it?

A This county is about 75 per cent, a 3-to-1 ratio.

Q Do you still have an outmigration of young, ambitious white—

A Yes, you have an outmigration of younger white people, primarily from the very small rural communities—rural communities of, say, less than 1,000 in population. You don't seem to have it as much from farms in the Delta territory and from a city like Greenville as you would from villages like Boyle, Benoit and Coahoma.

Q What would be your guess as to what this more or less leveling of population ratio is going to do to the South? Is it going to make the South just like any other place in the country, or tend to break down accents and traditions?

A Well, let me answer it this way: First, the South is just like any other place in this country in the sense that Southern farmers think in terms of attaining comparable incomes as they attain comparable productivity with the rest of agriculture, and for that matter with any other segment of the economy. Secondly, the stability of the Southern home is a factor that has been a rather striking part of the South, as I've known it, and there is the same view that they would like to maintain both the economic and cultural stability of that home and home life that they have had for a good many years.

The changes in composition of population will, of course, affect it, but it is pretty difficult to anticipate in what ways it will affect it.

Q What does the average Delta planter think of the outmigration of Negroes? Does he think it's a good thing or a bad thing?

A Certainly, these shifts that are going on can be another stimulating factor to increasing productivity per capita in Southern agriculture.

Q Is there any feeling that it might result in a labor shortage from your standpoint eventually? Or will mechanization take care of that?

A Well, the fact that the outmigration is the thing that pulled mechanization in would lead me to think that the outmigration can go a good deal further without creating an actual labor shortage—except in very restricted peak periods.

The problem won't come in harvesting, because we now can do this with machines in an economical way. But, in rainy seasons, you might get into tight labor situations because of delays in chopping.

Q Do you feel that the mule is disappearing in this area?

A Yes, sir.

Q You have only 15 on this operation?

A That's right. Previously we had 1,200.

Q And at that time you had how many field hands?

A We had approximately 4,000 total population and about 1,000 families, whereas currently we have about 425 families.

Q That's less than 50 per cent, isn't it?

A Yes.

Q In a large degree, then, this pattern that is going on on your plantation is part of the pattern of change that is happening all over the South—

A Essentially, that's correct.

Q This is a picture on a big scale of things that are happening on smaller scales all over the area—

A That's right, except where industrialization and local resources development are offering added jobs at home.

WORKERS FOR NEW FACTORIES—

Q You have some new industry here; for example, the Greenville mills of the Alexander Smith Carpet Company. The workers there—did they come from the farms around Greenville, or did they come from Greenville itself, or did they come from the hill sections of Mississippi, outside the Delta?

A Well, all three have been sources, but my information is that a very high proportion of them came from Greenville and Washington County. They have, as I understand it, tended to adapt themselves very readily to factory discipline, factory production methods.

Industrialization is going on in the South with much less disruption, or in a much smoother way, than the folks coming in or the folks that are here could have anticipated.

Q And it has been going on for some time—

A Yes, right. You take North Carolina and South Carolina —well, we're approaching that stage here in Mississippi.

I want to mention one thing that is pertinent: This river, draining half the continent, plus low-cost transportation,

(Continued on page 74)

East meets West in Taiwan

Manufacturing gasoline in Taiwan (Formosa) is gradually growing to a big business. The latest step is the new catalytic reforming plant, recently designed, constructed and placed on stream, for the Chinese Petroleum Corporation by Blaw-Knox. Thus, East met West in Taiwan.

This is but another example of world-wide achievements of Blaw-Knox engineers. Other Blaw-Knox activities are listed below, information on any one of which will be sent on request.

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. . . "Steps have been taken for a diversified agriculture"

eventually will attract more segments of the chemical industry to the Mississippi Valley, along with some of the associated processing—

Q It already has drawn tremendous industry to the Baton Rouge area—

A That's right. And you've got low-cost natural gas, low-cost petroleum, low-cost transport in addition to bountiful water and the easily trainable labor force that we just mentioned.

Q You showed us this morning your beef-cattle operation—are you accomplishing that with a very small amount of labor?

A I think it's fair to say that as the South has moved into livestock it has taken advantage of opportunities to handle its livestock production at a reasonably high level of efficiency. This was prompted first by the fact that you couldn't produce livestock in the South—beef cattle, for example—without careful attention to diseases and insect controls. With that application of reasonably intense management comes the alertness to opportunities for saving labor.

Q Some planters say that a man with less than a thousand acres couldn't raise cattle profitably in this area—

A Well, it would be difficult, I think, for an operator and his family to live on cattle income, alone, from an operation one would associate with 900 to 1,000 acres. However, one of the big roles for cattle in this area and other parts of the South, of course, is to use the land resources that are not best adapted for row crops and intensive cultivation. At Scott we are currently moving toward the adoption of each laborsaving approach that appears to be practicable. In our cattle operations we're feeding 1,800 head with two men—fattening 1,800 head with two men.

OUTLOOK FOR CATTLE—

Q And you're getting fine cattle?

A The quality of the cattle in the South is improving rapidly. Programs toward quality improvement by the State Experiment Station, federal and State extension services, vocational agriculture departments, by groups such as agricultural departments of the railroads and a forward-looking attitude at home have led to the view that we must upgrade farm products of the South as we move ahead in a competitive sense.

Q That involves co-operation in the meat business with the packers—

A It does. We as producers, not only in the South but elsewhere in this country, need to acquaint ourselves a great deal more intimately with the processes of marketing as well as the prices received and the costs involved in marketing. By so doing, and getting an understanding of what's involved between the live animal and a package of meat that's attractive to the consumer—by looking at those things jointly with the people who buy and process our products, we can often find ways for mutually advantageous improvements in standardization and upgrading.

From time to time we may be able to talk the processor into trying something new from something that we have to offer. As producers we need to find ways to capitalize on changes in consumer demands with less delays than we now find in the marketing and transportation structures.

Q Is that a tough problem?

A It's a draggy feature of the agricultural segment of the economy. We need to improve greatly our business-and-agriculture relationships. Improvements in business-and-agriculture relations have gone along quite rapidly in this country; but there are many vaguenesses—rising often from lack of understanding.

If we would minimize the gaps which arise from horizontal integration in farming and the distribution of farm products, perhaps we could short-circuit the need for some Government programing in relation to what we want to term the "farm problem."

Business leadership is much more willing, I find, to take the time to work right with initial producers than has ever been true before in this country. And as we—each of us—would like to see steps in the future that would retain the good things associated with stable agriculture and the high utilities that come with efficient processing and distribution, then the improvement of farmer-business relations is one of the real promising ways to do it.

Q In recent years the cotton acreage has been reduced in the South by a little more than a third—

A Actually, it's almost 40 per cent—

"ROUNDING OUT" OF CROPS—

Q Planters here and over in Alabama sometimes say that cotton is the only crop they can make money from. Could you throw a little light on that?

A Yes. When you look at Southern farming from Virginia to Texas, tobacco is under allotments, peanuts are under allotments, cotton is under allotments, rice is under allotments, sugar is under allotments, wheat is under allotments—the main income sources of Southern farms and the main sources of income for the Southern economy are each restricted.

Essentially, steps have been taken to build further on our foundations for a diversified agriculture, to build around tobacco in the tobacco areas, cotton in cotton areas and rice in the rice areas with the secondary and tertiary enterprises that can be devised.

The fitting of added small grains around tobacco and cotton, say, in the Carolinas, is simply adding a few more acres to oats and wheat which they already have been growing for a good many years.

Such adjustments represent a further rounding out of diversified farming systems in the South—a highly desirable development for future stability. One of the things to keep in mind is that the corn acreages have gone down markedly in this area as mule numbers dropped. Our recent return to added grain production is prompted in part by the opportunity to market some of these grains through poultry, cattle and other livestock.

I want to say, too, that the future for agriculture in the South, as well as, for that matter, in the North, could be greatly hampered if close control of diverted areas were to be used as an approach to reductions of the over-all capacity of our agriculture. Such rigidities would do so much to hamper the basic efficiencies of any farm. To me, it would be much better to reduce the size of our agricultural plant by taking some of it actually out of production, with further emphasis upon conservation and fertility building.

I'm sure, basically, that taking out a portion of the total plant is a whole lot better than a pattern of elaborate controls for diverted acres.

DYED IN THE WOOL

With the help of Victor Diammonium Phosphate (and somewhat more practical equipment), this amateur might easily qualify as a professional dyemaster. That's because, in dyeing natural fibers and synthetic worsted blends, Diammonium Phosphate is so dependable that even a child could be entrusted with its use. This remarkable chemical maintains rigid, *automatic* control of the dye bath . . . assures even, fast, dependable results.

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Story of a $1,200,000 Crop Loan

This One Is Being Paid Off With Interest

King-size crop loans are becoming a major farm issue now.

Ike's farm message attacks them as "underwriting at public expense" big competition for family-operated farms.

Others are upholding big crop loans as aid in keeping farm prices from gyrating.

How they may work out in practice is shown here by an actual million-dollar example.

This is the story of a loan of 1.2 million dollars made to a single farming operation to support the price of cotton.

That loan, the largest made to any grower on the 1954 cotton crop, today is largely paid off, with interest.

What happened in this case has a bearing on farm policy now shaping up in Congress. There are proposals that price-support loans of the future be limited to a maximum of $25,000 or $50,000 or some other fixed figure.

The story of the largest of all price-supporting loans in the latest full year of crop marketing illustrates how the program was designed to work.

As the 1954 crop of cotton was harvested, the Delta and Pine Land Company of Scott, Miss., placed much of its crop under loan. All told, 7,554 bales of cotton were put up as collateral for a Government loan of $1,292,473.25. This cotton, plus hundreds of thousands of bales from other farms, was held off the market during the harvest season.

Later in the cotton-marketing year, which runs from August to August, the price on the open market began to rise because textile mills had bought up most of the cotton that had not gone under loan. The price rose to the point where the Delta and Pine Land Company, and other farms, too, could "redeem" cotton—by paying off the Government loan—and sell it on the open market without taking a loss on the deal.

By the end of the marketing year, the company had redeemed all but 68 bales of the cotton put under loan, paying back to the Government $1,281,972.04. Interest on the loan at 3.5 per cent, plus carrying charges on the cotton, was paid by the company. In 1953, it had redeemed all but 76 of the 7,230 bales put under loan, paying interest at 4 per cent.

When crop loans are repaid in this fashion, the price-support program functions as it was originally intended, to maintain an orderly flow of crops to market. This so-called "orderly marketing" keeps prices from gyrating between low levels caused by harvest-time gluts and high levels caused by preharvest shortages.

The loan program worked the same way for some wheatgrowers in 1954. The largest loan to any one wheat farm—$430,691 on 208,881 bushels of wheat to the Campbell Farming Corporation, of Hardin, Mont.—was repaid.

Price is the factor that determines, in most cases, whether a farmer repays his loan. The Delta and Pine Land Company, for instance, grows a high-quality cotton that in 1953 and 1954 commanded a price higher than the Government support rate after heavy marketing at harvest time had passed.

The Montana farming corporation that paid off its wheat loan grows a high-protein wheat that brings a premium from flour millers after the harvest glut has cleared the market.

But the Iowa farm that got the largest corn loan in 1954 and the Louisiana rice farm that got the largest rice loan let the Government take the corn and the rice put up as collateral. And, in 1952, the Delta and Pine Land Company redeemed only 2 bales out of the 2,916 that it put under Government loan.

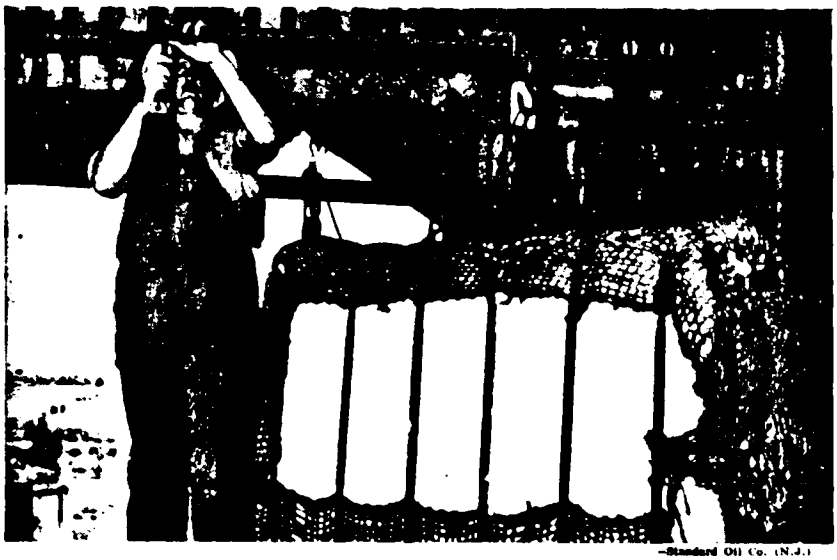
Since 1952, when the present surpluses began to build up, farmers in millions of cases have found that they came out ahead by letting the Government keep their crops. Supplies that thus accumulate in Government bins and warehouses are, in theory, fed back into the market in years of short crops.

Net result is that taxpayers now have more than 8 billion dollars invested in surplus farm products. The problem facing the Government's farm planners is how to keep the investment from swelling to larger proportions.

Few people are arguing at this time that a limit on price-support loans would affect the surplus problem one way or another. President Eisenhower recommended a limitation in his message to Congress on the basis that the Government should not underwrite, to the full extent, "such formidable competition with family-operated farms."

Big farmers hold that limiting of loans would hurt, not help, smaller farmers because larger supplies of farm products would be placed on the open market to depress prices to all farmers.

Who would be helped, or hurt, is the question to which Congress is now seeking the answer.

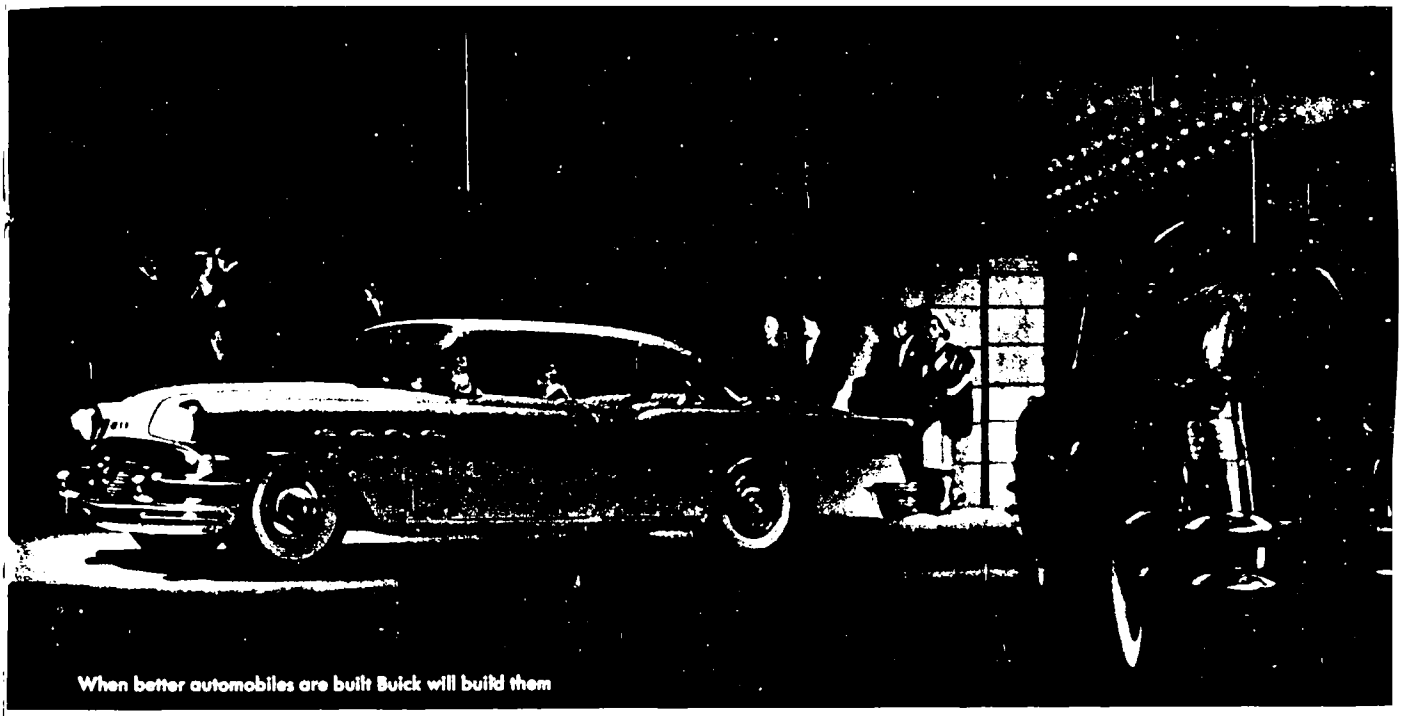


—Standard Oil Co. (N.J.)

WEIGHING COTTON AT THE GIN

When prices are rising, the support program works smoothly

The Big and the Beautiful—



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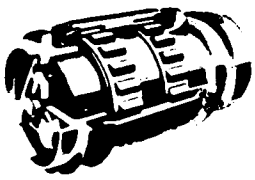
new HYATT HY-ROLL

Roller bearings in GM's Aerotrain were produced by the makers of the Hyatt Hy-Roll!



Like all Hyatts on the GM Aerotrain and over *two-thirds* of all diesels, the Hyatt Hy-Roll has *high-capacity straight cylindrical rollers.*

Here is a *new* roller bearing for railroad freight cars—so *simple*, so *dependable*, so *economical* that it makes the big switch to roller bearing freight *practical!* This one bearing fits *both* new and old cars. It comes with a three-year lubricant supply sealed in. Parts are interchangeable, and there are *only four* on the axle. No fitting adjustments are needed. Installation and maintenance are easier and more economical than ever before. Switching to Hy-Rolls *now* will get rid of the hotbox burden *for good*—permit faster, *non-stop* freight schedules—improve railroads' service, earnings and competitive position throughout the years ahead. In short, the new Hyatt Hy-Roll is *built for the long haul* in every sense of the word! Hyatt Bearings Division, General Motors Corporation, Harrison, N. J.

has built over half of all roller bearings
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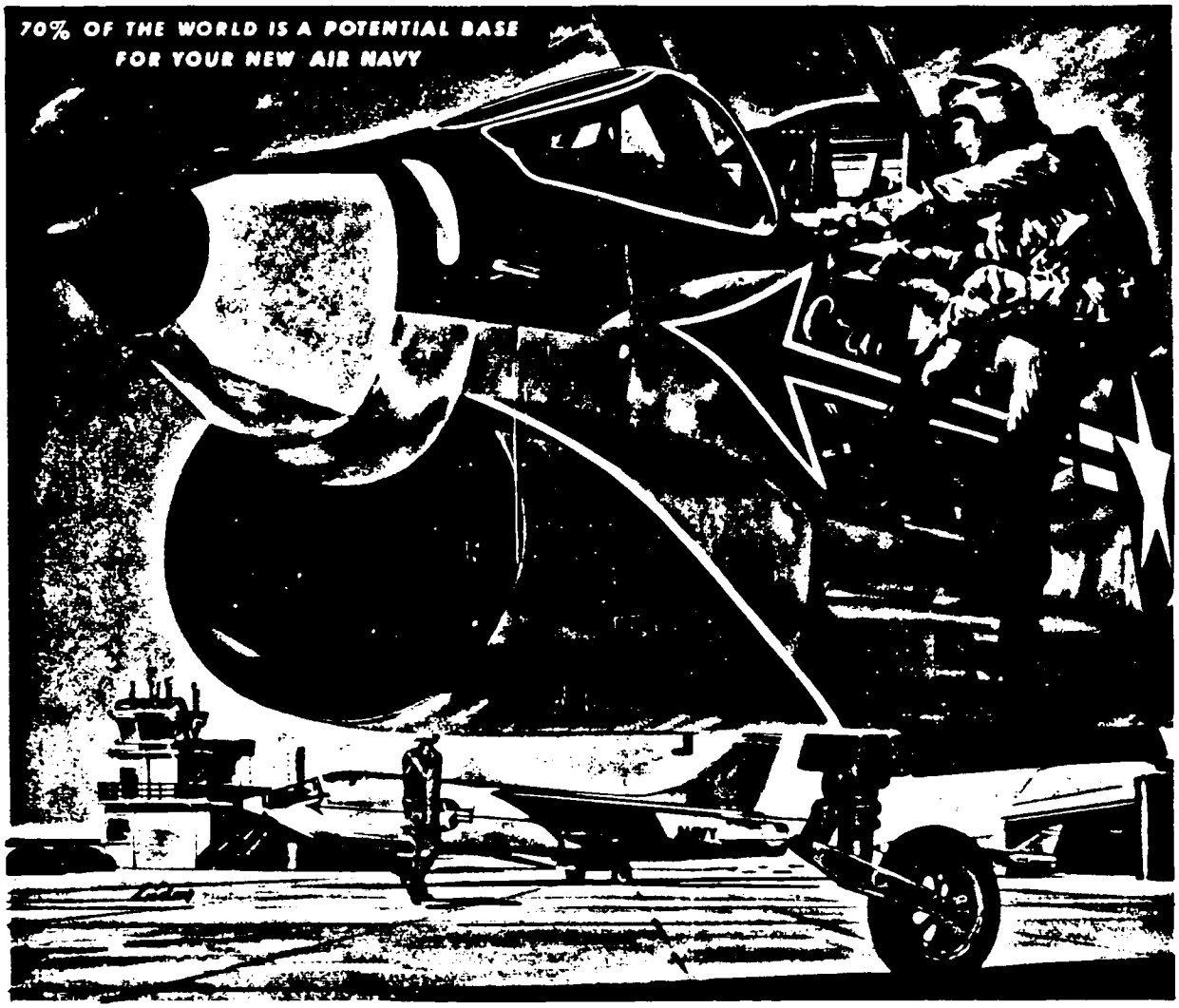
HYATT

HY-ROLL BEARINGS FOR NON-STOP FREIGHT



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NOW REDS ARE STIRRING UP AFRICA

Arms, Agents Pour In—Goal: to Cut U. S. Off

It's Africa, vital to U. S. security, where the Kremlin is now making big moves.

The arms deal in Egypt? That is just a sample. From Cairo to Capetown, Soviet agents are turning up—diplomats, propagandists, labor organizers and even trained guerrillas.

Their aim: set the stage for an eventual Communist take-over of the Dark Continent.

Reported from
CAIRO and JOHANNESBURG

A new Soviet thrust against the U. S. and its allies is under way. The Communist target now is Africa—its vital American military bases and vast riches of strategic minerals that feed the factories and atomic stockpiles of the West.

The Russians, leapfrogging over the anti-Communist alliance in the Middle East, are in Egypt with trade and arms deals. Red-trained guerrillas are turning up in the Algerian revolt against French rule. Moscow is sending diplomats to remote capitals in Africa and offering economic aid to Liberia and other nations.

These moves, however, are just the beginning of the Soviet drive in a part of the world where the West still rules big colonial domains.

Schools for agitators. Western intelligence officials get reports of Communist schools in Prague and elsewhere behind the Iron Curtain that instruct handpicked young Africans in Communist theory, propaganda methods, sabotage and guerrilla warfare.

Soviet Premier Nikolai Bulganin and others, in major speeches, are going out of their way to mention the "oppressed people" of Africa. Even Mau Mau terrorism in Kenya, until recently dismissed by Moscow as a "British fiction," is being praised in Communist broadcasts as a "liberation movement."

Local Communist parties in Africa are trying to stir unrest among Africa's 200 million Arabs, blacks and Indians. Dozens of Africans are sent periodically, with all expenses paid, on trips behind the Iron Curtain to attend youth, labor or peace rallies from Prague to Peiping.

All of this activity is aimed at strategic assets of tremendous importance to the West.

It is in Africa where you find much of the atomic striking power of the U. S. against Soviet Russia's heartland—at three big bases operating in Morocco for jet bombers. Another American base, in Libya, is considered the key to aerial control of the Mediterranean.

America is getting as much as half of its uranium stocks from the Belgian Congo and South Africa. The precision-tool industry depends on Africa for nearly all its industrial diamonds and gets large quantities of copper, cobalt, aluminum and rare-alloy metals out of Africa's mines.

It adds up to a rich prize, one that has Moscow's top-priority attention.

In Egypt, the diplomatic foothold of the Russians is causing particular worry to U. S. leaders. A top State Department official says:

"Cairo is a big Islamic center. And you have to remember that the Moslem faith is spreading fast south of the Sahara. That means the Russians will find doors opening for them over much of Africa if they can win Egypt over to their side."

Czechoslovak arms now are streaming into Egypt—and Western officials fear that Cairo may develop into a clearinghouse for deliveries of Communist arms to Africa and the Middle East. Trade is booming, too. Egypt is selling twice as much cotton to the Soviet bloc as it did 18 months ago.

Egypt's Premier, Gamal Abdel Nasser, plans a trip this year to Russia, and there is a constant exchange of visitors between Cairo and Moscow—trade delegations, Moslem religious leaders and students.

Nearly 1,300 miles to the west of Cairo, a new Russian embassy is setting up shop in Libya, an impoverished Arab kingdom that signed a surprise diplomatic agreement with Moscow, though it depends on U. S. and British aid to keep afloat financially.

Head of the Soviet staff in Libya is Nikolai Generalov, former Russian Ambassador to Australia, who had to leave that country when one of his subordinates, Vladimir Petrov, went to the police and gave them details of an espionage ring operating under cover of Generalov's diplomacy.

Now Generalov, in his new diplomatic outpost, sits on the doorstep of the American air base at Wheelus Field—and next door to the shooting war going on in French North Africa.

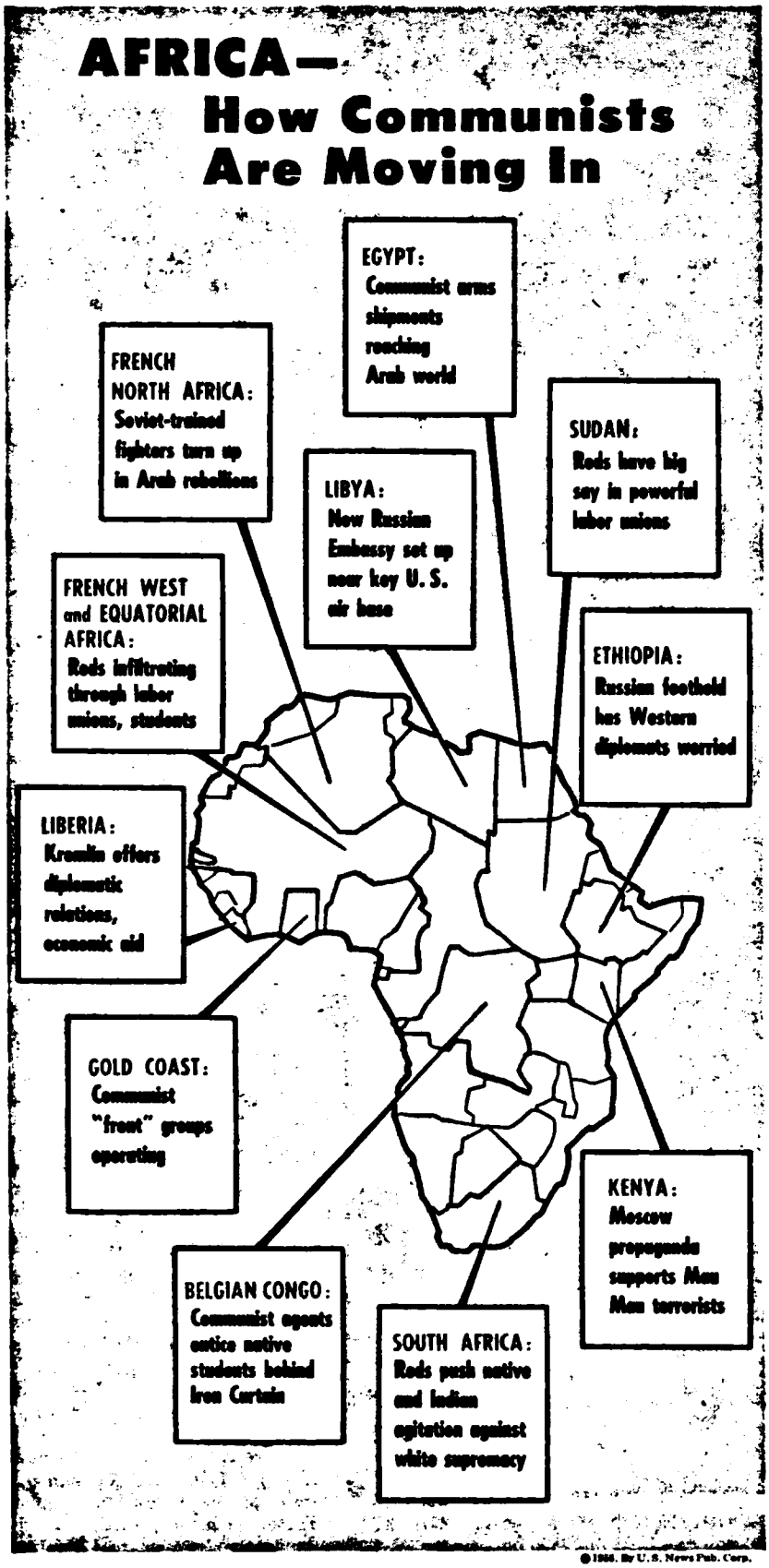
Real trouble. It is in that corner of Africa, consisting of Tunisia, Algeria and Morocco, where the West is in real trouble right now. Arab nationalism simmers in all three areas. There is daily warfare in Algeria, with the Communists a major factor.

First evidence of important Red participation in the guerrilla fighting against French troops came only on Christmas Eve when a prisoner revealed that two important Communists are serving a guerrilla band as "political commissars." One of the Reds was identified as an Algerian lawyer, the other as a white Frenchman who fought against Generalissimo Franco in Spain.

There is also evidence that guerrillas get help from Algerian veterans of the Indo-China conflict. These men, captured by the Reds, were sent off to China and

—Morris-Wide World

"GLOWING REPORTS FROM NEW TERRITORY"
The Communist line is selling well


AFRICA—
How Communists
Are Moving In
EGYPT:
Communist arms shipments reaching Arab world
FRENCH NORTH AFRICA:
Soviet-trained fighters turn up in Arab rebellions
LIBYA:
New Russian Embassy set up near key U. S. air base
SUDAN:
Reds have big say in powerful labor unions
FRENCH WEST and EQUATORIAL AFRICA:
Reds infiltrating through labor unions, students
ETHIOPIA:
Russian foothold has Western diplomats worried
LIBERIA:
Kremlin offers diplomatic relations, economic aid
GOLD COAST:
Communist "front" groups operating
KENYA:
Moscow propaganda supports Mau Mau terrorists
BELGIAN CONGO:
Communist agents entice native students behind Iron Curtain
SOUTH AFRICA:
Reds push native and Indian agitation against white supremacy

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Eastern Europe for training then slipped into Algeria across the Libyan border.

In Algeria, which is governed as part of metropolitan France, the Communist Party was legal until last September. Now underground, its membership is estimated at 12,000, half French and half Algerian. Communists in Morocco and Tunisia are estimated at about 2,000 in each place.

Among the guerrillas in Algeria, French officials believe, there are only about 100 Communists, at most, carrying on the work of infiltrating rebel leadership and cementing an alliance with the nationalists.

Labor wedge. What the Reds have on their side, not only in North Africa but in French domains south of the Sahara, is a great deal of support in the labor unions.

Much of the Communist propaganda entering Africa comes from the European headquarters of the Red-controlled World Federation of Trade Unions. Its vice president is a native of French West Africa.

Except in Tunisia, separate African trade unions are discouraged or banned. Result is that African workers, joining the same unions as white Frenchmen, tend to wind up in *Confédération Générale du Travail*, which is run from Paris under Communist domination.

In Algeria and in France's "tropical Africa" to the south—French West Africa, Equatorial Africa, Togoland and the Cameroons—almost 50 per cent of the workers are controlled by the CGT. Red officials are training Africans for union leadership, both on the spot and at a special school near Paris where relays of African unionists are run through a course of instruction lasting eight to 12 weeks.

Politically, this drive is beginning to pay off. For the first time, a Communist Party is now registered under its own name in tropical Africa—in the Chad region.

Most spectacular success for the Reds recently occurred in the French Cameroons, which is administered by France on behalf of the United Nations. There, a "front" party organized by the Communists demanded complete independence and organized demonstrations that resulted in riots by natives wielding clubs and machetes. Casualties came to 27 dead.

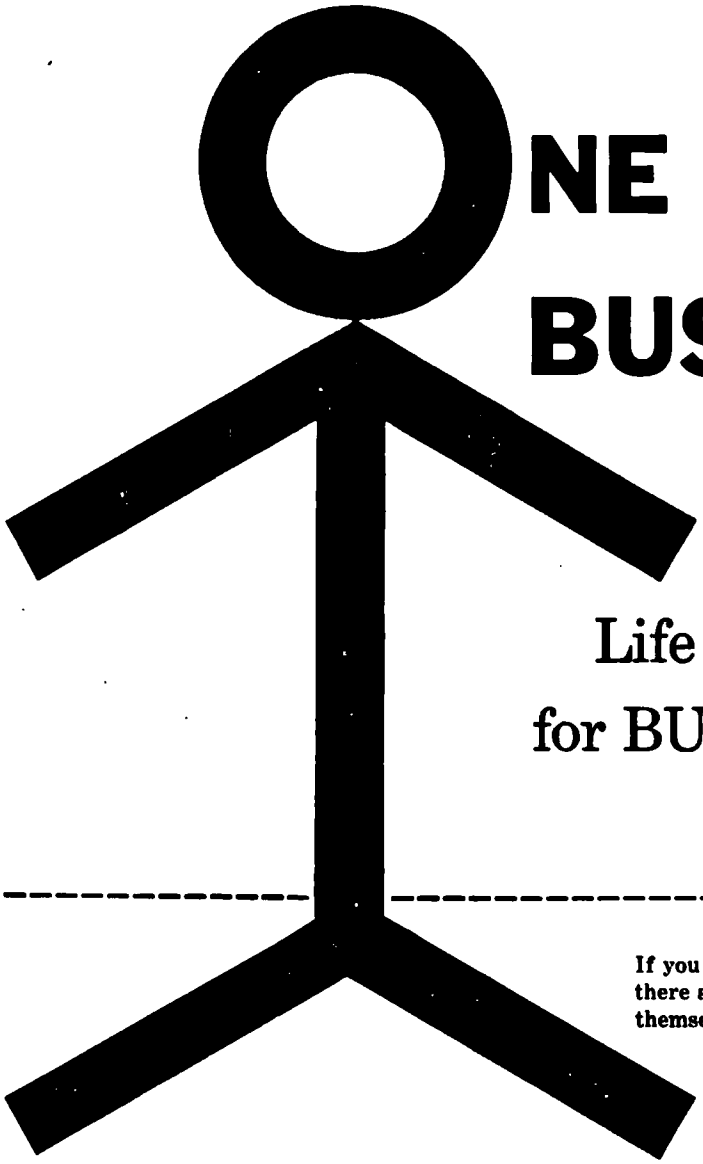
When police sought the top Communists, it was found that most of them were in neighboring Nigeria, where they had given the starting signal for the riots from a safe distance.

Elsewhere in Africa, Communists are trying to exploit racial trouble.

Mau Mau terrorism against whites in

(Continued on page 84)

NEWS for those who run



ONE MAN BUSINESSES

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[continued]

NOW REDS ARE STIRRING UP AFRICA

Kenya stresses witchcraft—not Marxism. But that outbreak began after years of antiwhite agitation by Jomo Kenyatta, a native who associated with Reds as a student in London and later spent a year in Moscow.

In addition, Communists are found among Kenya's 90,000 Indians and Pakistanis. And one minor Indian diplomat in Nairobi was asked to leave Kenya after she was found to be spreading Communist propaganda among natives.

Communist infiltration among Indians is turning up as an even more acute problem in South Africa, where Reds are promoting a "united front" of all races to overthrow white supremacy.

In that troubled country, the Communist Party is outlawed. Persons "named" by the Government as Reds cannot take part in politics. Yet one of them is still President of the South African Indian Congress, despite the ban. In Congress offices, tapestries of Communist-front posters denounce America and praise the Soviet Union.

It is the same story in the African National Congress, whose Secretary-General spent some time behind the Iron Curtain and meets with Indian Communists. And a handful of white Communists keeps in contact with both Indian and native left-wingers.

Recently these groups sponsored a multiracial rally in Johannesburg. Speeches opened with the salutation, "Comrades," and called for transfer of mines, banks and other big properties to "ownership of the people."

In other parts of Africa, you find this picture of Communist activity:

- In the prosperous, tightly run Belgian Congo—long considered immune to Red infiltration—security police admit that a "few" natives have slipped out and are studying behind the Iron Curtain.
- Sudan, independent only since January 1, has a strong labor movement in which left-wingers hold key posts. Russia already is setting up a "liaison" diplomatic office in Khartoum.
- Ethiopia for years has had not only a Russian legation but a Soviet propaganda center, with a library and movie theater that get good crowds. There is official concern over another Russian foothold—a Soviet-run hospital that gives medical care and nursing instruction to Ethiopian villagers.
- In the Gold Coast and Nigeria, where there is much self-rule, Africans themselves ban Reds from important Government posts. But "hard core" Communists among students and labor leaders smuggle in propaganda and circulate it among "front" organizations.
- Liberia, an independent African republic that was founded by ex-slaves from America more than a century ago and still has close ties with the U. S., is another target of Soviet diplomacy. Moscow has just announced that the two countries will exchange ambassadors.

Where officials fear Communist gains most is among students.

More than 7,000 Africans are studying in French schools. At home, these students would rarely meet a Communist. In Paris and other cities, they are plunged into an environment where every fourth Frenchman votes with the Communists. And they find French Reds friendlier to Africans than most other whites are.

As a result, colonial officials estimate that about 50 per cent of the African students in France are more or less "sympathetic" to Communism—while 10 to 15 per cent have been enrolled as actual party members.

Not all of these converts cling to their Communist convictions after they get back to their homes in Africa. But some, it is believed, merely pretend to drop their Communist ties, while working as Red agents within nationalist organizations. This infiltration is seen as a major danger for the future.

In British areas, the student problem is just as big.

About 4,000 Africans from British-ruled parts of the continent are studying abroad —mostly in England, where they often find Britons color-conscious. It is not at all hard for a young African in London to fall into the hands of a Communist "front" group where he can get financial help, attend social gatherings, be offered the companionship of white girls.

All of these developments are spelling trouble for the vast areas of Africa where the white man still holds sway. South Africa's Minister of Defense puts it this way: "We can only guess at what the Red blueprint for Southern Africa is. What does emerge from recent events in the Middle East and in North Africa is that, for the West, the battle of Africa has begun."

—Gamma

RIOTERS IN MOROCCO: TROUBLE FOR U. S. . . .
2,000 Communists fan the flames

—Combine Photos

. . . 5,500 MILES AWAY IN CAPETOWN, MORE UNREST
Reds are behind the "united front"

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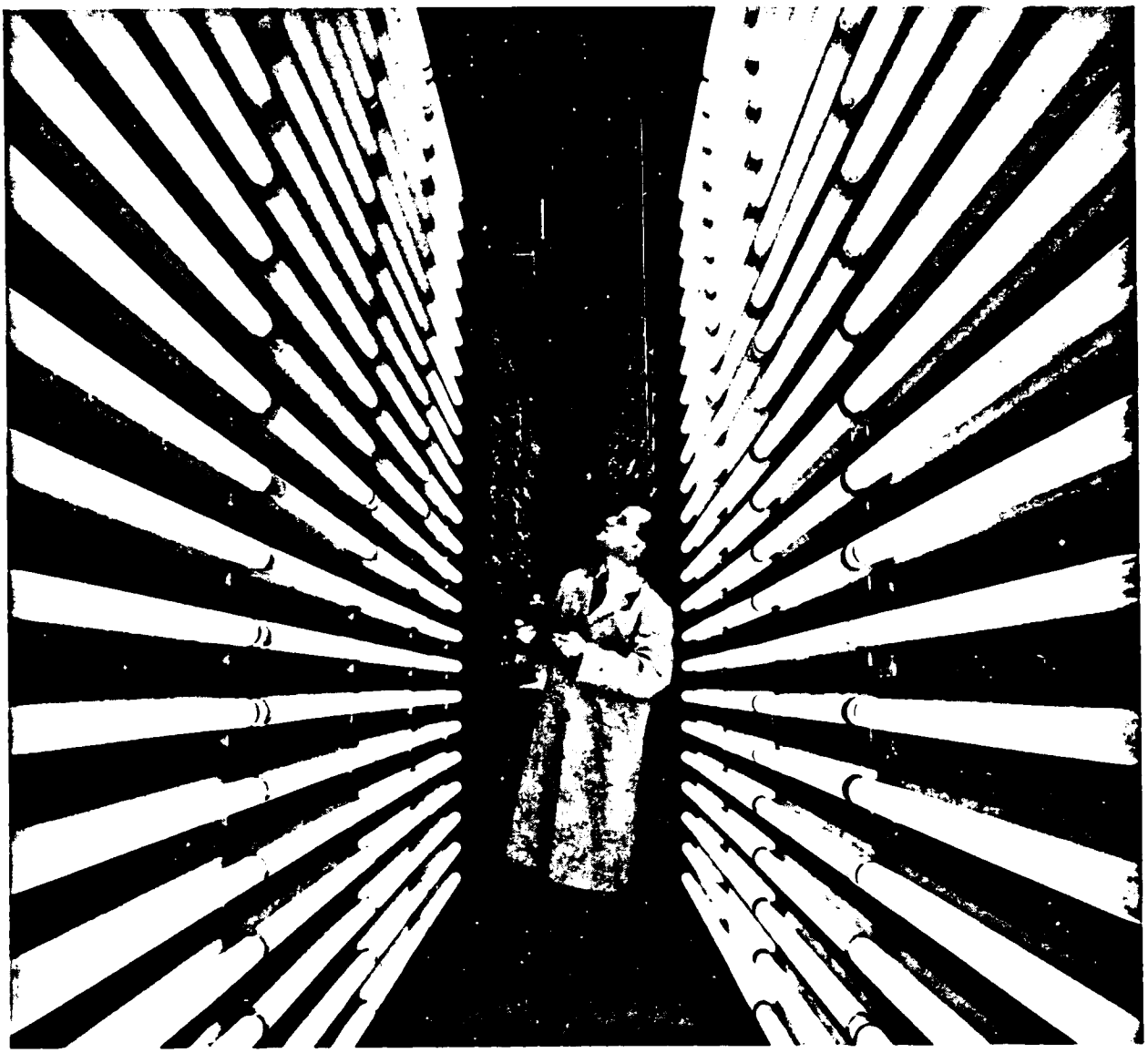

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UNIFORM FREEDOM FROM DEFECTS—You cut maintenance costs. 99.9% of General Electric 40-watt fluorescent lamps are free from all defects that could affect performance in service.

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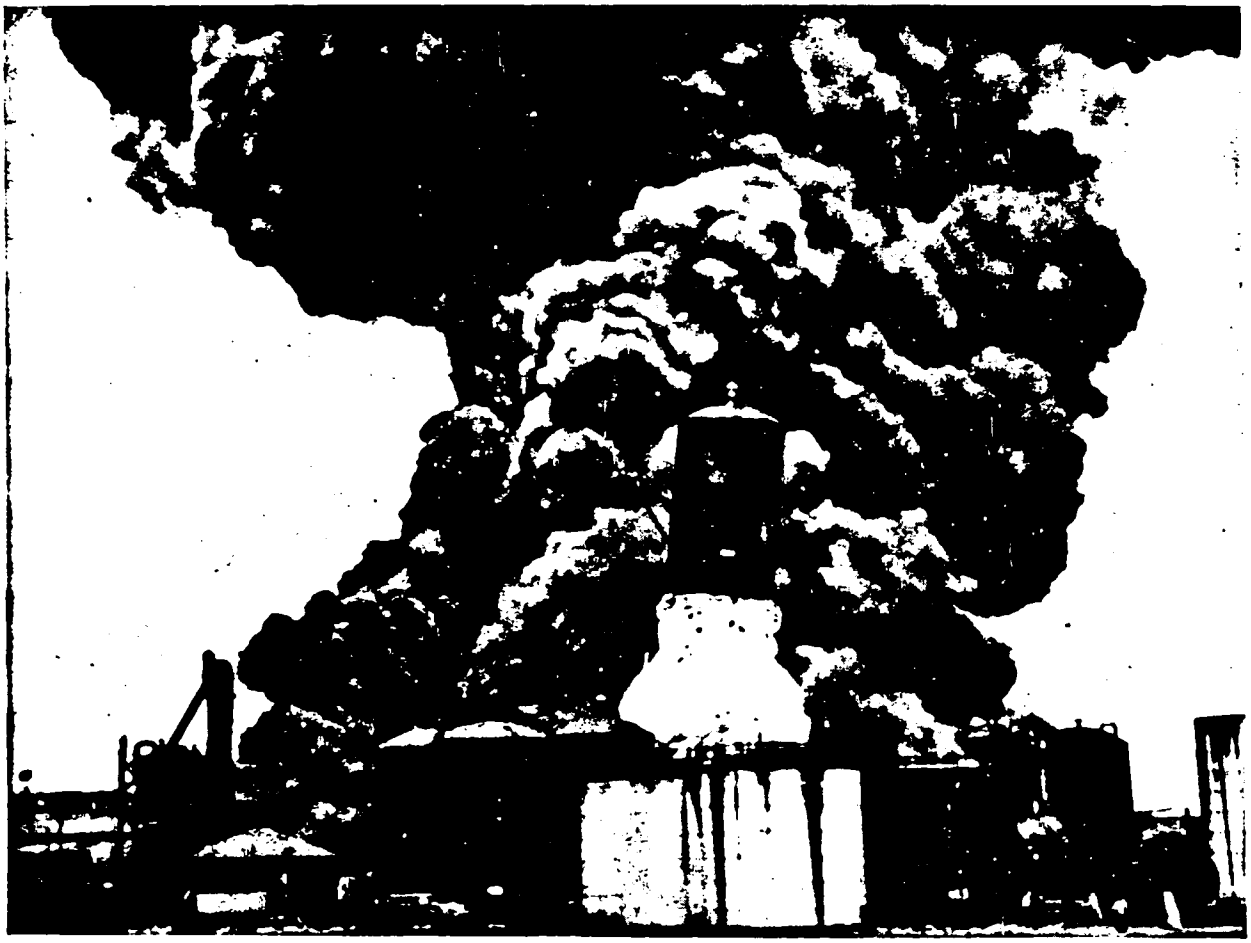

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FROM THE CAPITALS OF THE WORLD

BUENOS AIRES....BERLIN....NEW DELHI....

>> Next target for Soviet Russia: Latin America. So says Moscow.

Premier Bulganin himself offers trade, aid and Soviet technicians to any Latin-American country. It's a new bid, a bold challenge.

Look at the record. Russia grabbed Eastern Europe first. Next came Asia--China, Korea, Indo-China. Suddenly a leap into Africa through Egypt. All this in 10 years. Now Moscow offers aid to a continent of U.S. neighbors.

>> Any takers in Latin America? Any arms-hungry country, sulking, feeling like an outcast in non-Communist society, such as Egypt? Communist-built MIG fighters now fly over Cairo, less than a year after Russia first offered aid to Egypt. Will MIG fighters fly over Havana or Mexico City next year? Hardly.

Latin Americans know whom to ask about Soviet aid. It has been offered before in Latin America--and accepted. Take a few examples:

>> In Argentina, Perón tried to shore up his regime with a Soviet trade deal. He hoped to get steel, machinery, oil equipment. Soviet deliveries came late. Oil equipment was obsolete by American standards. Perón, himself, is in exile.

In Guatemala, Arbenz accepted a shipload of arms aid from Russia's empire. That alarmed the U.S., tipped off Latin Americans to Soviet aims. In a revolution, Arbenz lost. Now he is an exile in Communist Czechoslovakia.

In Chile, one President was elected with Communist help. He took Communists into his Cabinet, then kicked them out. Reds paralyzed Chile with strikes, sabotage. The party was outlawed. Chile broke relations with Soviet Russia.

Ask Brazilians. They seized a cache of Communist arms a few days ago. Ask Cubans. They found Soviet diplomats were bringing in Communist propaganda, so they broke relations with Russia. That's the lesson of experience.

>> What opportunities, then, has Moscow in Latin America? These.....

Sharp trading, one-shot deals, bargain hunting with politics in mind can bring Moscow some business. Many Latin-American countries depend on sales of commodities often plentiful in the West. These Russia may buy.

Selective trading, with an eye to encouraging Communists, can make trouble. Russia already has contracts and agreements calling for an exchange of half a billion dollars' worth of business with Latin America in 1956. Last year's Soviet trade in the area was only 40 per cent of that. It doesn't compare with the 7-billion-dollar trade between Latin Americans and the U.S. But.....

A foot in the door of Latin-American trade enables Russia, at bargain-basement prices for surplus commodities, to pick up wool, hides, coffee, meat.

In exchange, Russia offers a few goods, much propaganda, trouble for U.S.

(over)

>> Premier Nehru of India is still trying to decide whether the visit of Soviet Premier Bulganin and party boss Khrushchev was a boon or a disaster.

On the credit side, India's Communists are so badly split that the party congress had to be postponed a month. Some, following Moscow's new orders, are giving Nehru qualified support. Others, not so flexible, still oppose Nehru.

On the debit side are riots in Bombay, the worst since India won independence. Bombay state's people divide into two language groups. Both want Bombay as their capital. Nehru created two language states, but made Bombay a bilingual separate state. Communists, Nehru's "new friends," led anti-Nehru riots.

>> In West Germany, it took months of debate for Parliament to approve a West German Army. In East Germany, Communists announced they, too, were sending an army plan to their "parliament." An American asked: "For debate?" Said the Communist boss: "No. For approval." In East Germany, that took just one day.

>> In West Germany, now that it's legal, the first few volunteers are getting training. In East Germany, now that it's legal, the Army is all ready.

Communist Wehrmacht is 120,000 strong. For six years it was called the "People's Police." Now, with the new name, Moscow promises new arms.

>> Another Communist "secret" is out, too. In occupied Berlin, civilians were not supposed to carry arms. That was a four-power agreement, a Russian promise.

Now, Moscow says, the agreement is void. East Berlin is East Germany.

Suddenly, 15,000 Communist workers marched through East Berlin carrying carbines and pistols. To non-Communists, it was no surprise. Since the anti-Communist riots of June, 1953, Communists in East Berlin have been armed.

>> China's Reds have offered a deal to the U.S. The terms:

Reds want a meeting between their Premier and the U.S. Secretary of State.

In return for recognition, Reds will promise to start no new wars. Formosa? That's part of China. Attack, Reds say, should not start a war.

"No bargain" is the U.S. answer. But, in Canada, Foreign Secretary Lester Pearson says his Government is considering recognition for Red China.

>> Sultan Sidi Mohammed ben Youssef, of Morocco, is accepting apologies.

French apologies came first. The French ousted him, exiled him. Morocco flared in revolt. So the French brought him back to rule independent Morocco.

El Glaoui's apologies came next. The Berber leader who helped France oust Mohammed V crawled to his Sultan on hands and knees to be forgiven.

U.S. apologies are in order. To please the French, the U.S. never consulted the Sultan about four big air bases built by the U.S. in Morocco.

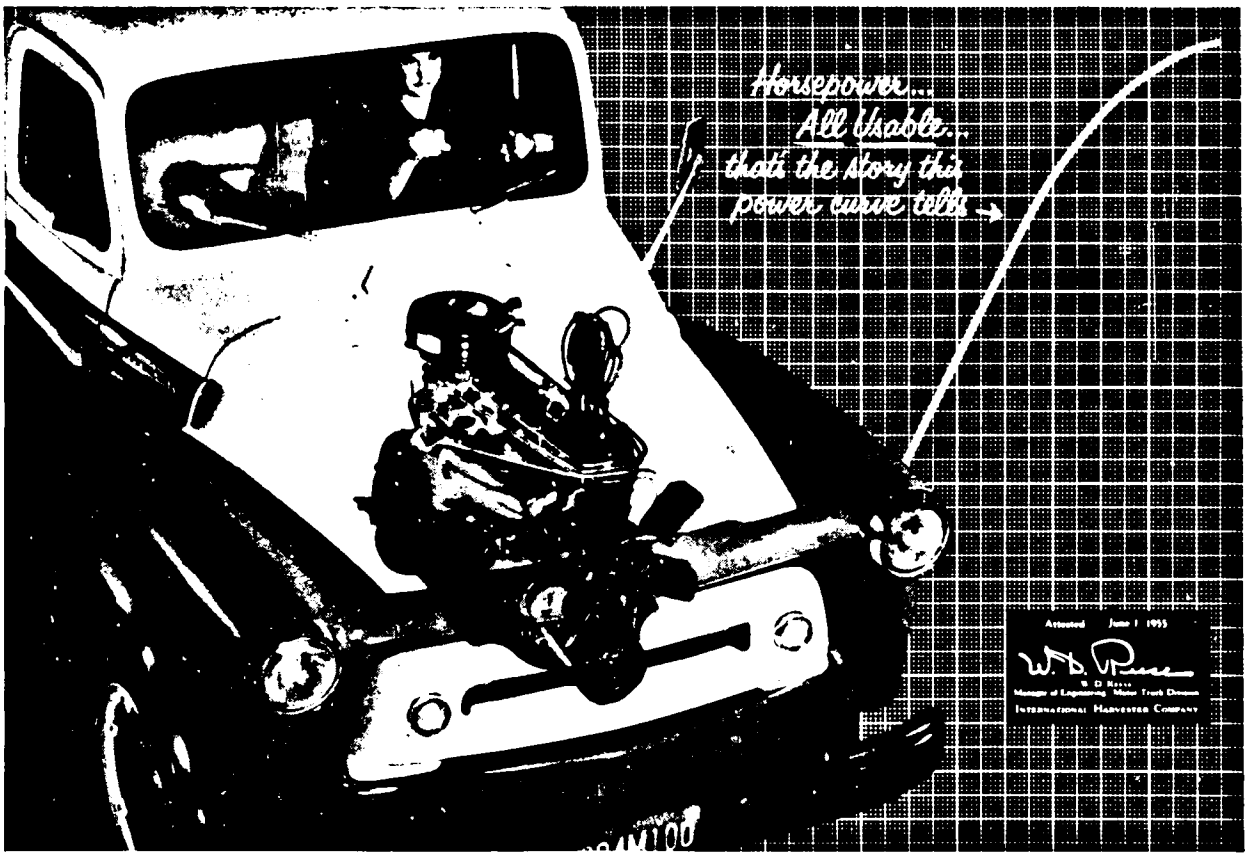
No difficulties are expected. Mohammed V, his aides say, remembers that the U.S. was one of the few world powers to keep a minister at Tangier, accredited to the Sultan, not to the French. Bygones will be bygones.

>> When the new French Assembly met to try to pick a new Premier.....

On the extreme right, Pierre Poujade, 35, marched in with his 52 deputies. Assemblymen shoved the antitax leader out. Poujade himself is not a deputy.

On the extreme left, Marcel Cachin, 86, a Communist, opened the Assembly as its dean. He proposed a Cabinet to include Communists. Nobody answered.

It's <u>usable</u> horsepower that counts!



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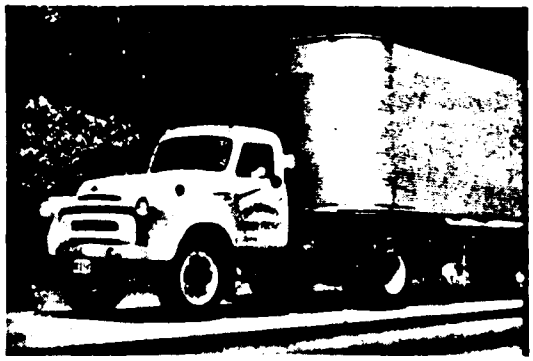

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THE MAN ..Governor Herter **THE NEWS** ..If Ike Doesn't Run—

—Black Star

New England Republican Ready—It's Ike's Move

Governor Herter, with many political assets and some liabilities, is catching the eye of Republican leaders who wonder what will happen if Ike bows out.

BOSTON

REPUBLICAN LEADERS are looking over Governor Christian A. Herter of Massachusetts just now as a presidential or vice-presidential possibility—if President Eisenhower declines to run again.

Governor Herter is attracting attention for several reasons:

- The first is a record highly pleasing to the Eisenhower wing of the party. In 10 years in Congress, Mr. Herter became a leading internationalist, and his voting on domestic issues ranged from mid-road to conservative.
- In Massachusetts, few question the Governor's ability, and his integrity commands highest respect. Political experts say his record in the State House, including welfare measures especially, leaves little on which he could be attacked.
- And Mr. Herter has demonstrated an appeal to independent voters, a quality that a Republican nominee concededly would need if he expected to win.

A Herter candidacy, however, has two built-in obstacles:

- The Governor was born in Paris, of American parents, which raises an argument over his constitutional eligibility.
- Health could become an issue. In recent years, Mr. Herter, now nearing 61, has been crippled by arthritis, although now he is much improved.

Ike man. The Governor's backers consider these drawbacks inconsequential. An organization has been formed called the "Christian A. Herter-For-President-in-Case-Eisenhower-Doesn't-Run-Again Club." This unusual title expresses a situation and a predicament.

The Herter supporters have been inhibited by the fact that the Governor has declined to make so much as a gesture toward the nomination, so long as Mr. Eisenhower's plans remain uncertain. He was an original Ike man in 1952, one of the President's Convention managers, in fact, and he remains steadfastly for Mr. Eisenhower now.

Available if—. Any removal of the wraps by the President, however, would make Mr. Herter somewhat readily available. His organization would go into full speed. Reportedly, it already has retained a public-relations firm to promote the Governor, as was done in his last gubernatorial campaign.

The Herter supporters are full of enthusiasm. Among leaders of the group, however, are men realistic enough to realize that, with Mr. Eisenhower out of the contest, the most likely nominee would be Vice President Richard M. Nixon. Any "stop Nixon" movement, they believe, might turn to the Governor.

Or, if Mr. Nixon is to have the nomination, they see possibilities in their man for second place on the ticket. Politicians readily concede that an East-West, California-Massachusetts, Nixon-Herter ticket would make political sense.

The Herter group is counting, too, on some help from high places. The Governor is well liked by members of the White House circle, is on intimate terms with many of its members, especially Sherman Adams, the Assistant to the President and a former Governor of neighboring New Hampshire.

The "natural born" question. The Governor is a slender, towering 6 feet 5—a friendly man, but solemn, reserved. Many regard him as an intellectual. When he talks, he is careful, deliberate about what he says. His speeches lack the fire of some political oratory, incline to be routine, factual.

Mr. Herter's parents were well-to-do Bostonians, both of them artists, who were sojourning in Paris at the time of his birth. The arrival of young Christian

(Continued on page 92)

—United Press

MR. HERTER AND SUPPORTERS

Admirers would like to see the Governor's name on the ticket

Left to right, from top to bottom: McDonnell F-101; North American F-100; Convair F-102A; Boeing B-52; North American FJ-4, F-86D, and F-86H; Lockheed C-130; Douglas DC-7; Sikorsky S-56 and S-58.

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Mr. Herter has had wide experience overseas . . .

was recorded immediately at the American consulate and he became an American citizen at once.

The question is raised whether this squares with the constitutional requirement that only a "natural-born citizen" is eligible for the Presidency or Vice Presidency. It places Mr. Herter in the same category with two sons of former Presidents, Herbert Hoover, Jr., and Franklin D. Roosevelt, Jr.

Many constitutional authorities, after studying the debates in the Constitutional Convention and the few court decisions bearing on the case, hold that the courts would find Mr. Herter qualified for the Presidency, as an American citizen from the time of his birth.

There is disagreement, however. The courts never have ruled on the issue specifically. It is, however, a question that probably will have to be clarified before a Herter candidacy can get far.

Much of Mr. Herter's early boyhood was spent on the Continent. The family returned to the U. S. when he was 9. He attended the Browning School, in New York, and, in 1915, was graduated from Harvard, *cum laude*. He studied architecture for a year, then turned to the Foreign Service.

Before World War I, Mr. Herter was an attaché at the U. S. embassies in Germany and Belgium. After that conflict, he served as a secretary on the American Peace Mission, then helped Herbert Hoover with his European relief work. Mr. Hoover was impressed, and, when he became Secretary of Commerce, made Mr. Herter his personal assistant.

Politics. In the mid-20s, Mr. Herter took up writing and magazine editing. In 1929, he began a two-year stint as a lecturer on international affairs at Harvard. This led to politics. In 1931, he became a member of the Massachusetts Legislature, and, from 1939 to 1943, he was Speaker of the House in that body. In the latter year, he sought and won a place in the National House of Representatives.

In Congress, Representative Herter's principal preoccupation was foreign affairs. In 1947, he headed a committee that went to Europe for economic studies, preparing the way for the Marshall Plan. He voted periodically for renewal of the reciprocal-tariff program and for all proposals for economic and other assistance to other nations.

Meanwhile, on domestic issues, Mr. Herter voted usually with the Republican leadership. One contrary vote was against the continuation of the House Committee on Un-American Activities.

. . . The Governor swings big independent vote

However, he supported the Smith-Connally Act and the Taft-Hartley Act, both measures opposed by organized labor.

Governor. In 1952, Mr. Herter ran for Governor and was given little chance of defeating the popular incumbent Paul A. Dever. Several contrary trends were at work in the State. Mr. Eisenhower carried Massachusetts by 208,800 votes. A Democrat, John F. Kennedy, defeated the long-time incumbent Republican Senator, Henry Cabot Lodge, Jr., by 70,000 votes.

Mr. Herter barely squeaked in. He defeated Mr. Dever by 14,456 votes, but 18,844 ballots were cast for minor-party candidates. Mr. Herter became a minority winner, with 49.7 per cent of the vote. He proved a popular Governor, however, and, seeking re-election in 1954, won by 75,252 votes.

The Governor's friends point to this election as proof of his appeal to independent voters. The Massachusetts voting lists show roughly 750,000 registered Democrats and an equal number of registered Republicans. At the same time, about 1.2 million persons are registered without party designations. A candidate, to win, must score heavily with this independent group.

As Governor, Mr. Herter has instituted numerous reforms and welfare measures. Among these: a program for developing recreational resources, liberalization of unemployment compensation and of aid to older people, low-cost housing developments for the elderly, group insurance for State employes, with the State bearing half the cost; reconstruction of the penal system.

Several years ago, the Governor was stricken by arthritis. He walks with obvious pain and difficulty, sometimes supported by canes. His physicians say the disease has been arrested, is no longer of the progressive type. He is able to put in a long day's work. Politicians wonder, however, about the effect of his campaign appearances.

Candidate. As a candidate for the nomination, Governor Herter, because of his internationalism and welfare programs, would face the opposition of some members of the more "conservative" wing of the party. This opposition might be overcome if Mr. Herter accepted second place on a ticket headed by Vice President Nixon.

In all, Mr. Herter is confronted with some formidable obstacles. He is, however, a man of many potentialities and one to be watched, if and when Mr. Eisenhower should declare himself out of the contest.

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President's News Conference—

IKE DISCUSSES HIS HEALTH, HIS JOB, HIS SECRETARY OF STATE

President Eisenhower, in his first Washington news conference since his illness, discussed several questions high in people's minds.

• On politics: Ike permitted his name to be entered in presidential primaries, but reserved decision on a second term.

• On his health: Reported satisfactory progress, but said his health will never be as good as it was in mid-September.

• On foreign policy: He expressed "complete faith in Mr. Dulles."

• On General Ridgway's criticism of Army cutbacks: Ike said he tries never to base military decisions on internal politics.

Following is full text, as released by the White House and authorized for direct quotation, of a press and radio conference of the President held in Washington on Jan. 19, 1956:

The President: Please be seated.

Well, it's good to see so many faces here again after such a long absence from you.

Since I have last seen you, as you can imagine, I have been presented with a number of personal political questions.

One of them arises in connection with the notice I have from the State of New Hampshire that my name has been qualified for the inclusion on the list of candidates in their preferential primary.

So, I have written an answer, an answer that, in the present circumstances, seems to me to be applicable in all such cases, and I will read it to you. And have you copies for them?

Mr. Hagerty [the President's Press Secretary]: There will be copies.

The President: There will be copies, so you don't have to take this down in case you should want it verbatim.

This is to Mr. Jackson, Deputy Secretary of State of New Hampshire:

"I have your courteous telegram of January fourteenth, advising me that petitions have been filed at your office which qualify my name for inclusion on the presidential-preference primary ballot of the Republican Party in the State of New Hampshire.

"Naturally, I am deeply gratified that the petitioners have expressed this kind of personal confidence in me. I do not feel that I should interpose any objection to such entry.

"However, because I must make clear to all that lack of objection cannot be construed as any final decision on my part relative to a candidacy for a second term in the office I now hold, I hope that all who vote in the Republican primaries in 1956 will carefully weigh all the possibilities and personalities that may be involved.

"Freedom to select, nominate and elect a candidate to public office is basic to our American political system. Because I deeply believe that every citizen should have the widest possible choice in expressing his own preference in such matters, I would hope that the accident of my illness and the necessary period for determining the degree of my recovery would not have the effect of interfering with the privilege of every member of our party to express his preference for the presidential candidate of his choice.

"It would be idle to pretend that my health can be wholly restored to the excellent state in which the doctors believed it to be in mid-September. At the same time, my doctors report to me that the progress I am making toward a reasonable level of strength is normal and satisfactory. My future life must be carefully regulated to avoid excessive fatigue. My reasons for obedience to the medical authorities are not solely personal; I must obey them out of respect for the responsibilities I carry.

"The personal decision to which I refer will be rendered as soon as it is firmly fixed in my own mind. I shall strive to see that it is based as to my best judgment on the good of our country."

That is all of the answer that is being made to any political questions. I have no objections to personal questions affecting health or anything of that kind, but that is as far as personal political questions are concerned; all questions have been answered.

Robert E. Clark *[International News Service]*: Mr. President, I am not sure whether this infringes on the ground you are outlining here, but can you tell us whether from your experience since returning to the full burden of the White House, your health is up to carrying the burden of the Presidency?

The President: Well, I would think it would be premature, Mr. Clark, for me to say that in those specific terms. I have had some quite intensive days—yesterday was—and I think that with the—by following closely, as closely as I can, the regime the doctors laid down, that so far I have gotten by very well.

Q: Mr. President—

The President: This gentleman here.

David P. Sentner *[Hearst Newspapers]*: Mr. President, what is your personal reaction to Mr. Hoover's suggestion for the appointment of an Administrative Vice President?

The President: Well, of course I, and I think everybody connected with the White House, are very grateful to Mr. Hoover for undertaking this study, which should long ago have been made; and without any reference to any individual or to my recent illness, the staff of the White House has grown a little bit like Topsy from time to time, with the growing intricacies of Government. And what he is trying to do is to

. . . "I have complete faith in Mr. Dulles"

provide some of the practices of business in the Office of the President, so that the President and his chief advisers can give more time, I think, to policy making.

Now, he told me he had no particular torch to bear for a particular name or title to the office he (the presidential deputy) is holding, but he does want to put by law, if necessary, and by administrative action, greater authority in some individual to do more of the supervisory work.

But I repeat, it is necessary that the whole staff arrangement be restudied—with respect to space (also)—it would be idle just to increase staffs and have no place to put them.

So with respect to space, their fitting in with all of the agencies of Government, that is the kind of broad study that should be made.

I think Mr. Hoover's principal purpose is, in the meantime, to provide some kind of relief to future Presidents, and I think he is a man of experience and knows exactly what he is doing.

(A chorus of "Mr. President.")

The President: Mr. Folliard.

"No Desire to Confuse"

Edward T. Folliard *[Washington Post and Times Herald]:* Mr. President, I don't know whether this comes in the category of questions that are open, but Senator Knowland said the other day that he thought that you would surely make an announcement one way or the other about your plans by mid-February. Is that—

The President: Well, this is what I have promised, Mr. Folliard: to make the announcement as quickly as a decision is firmly reached in my own mind.

I have no desire whatsoever to confuse the American people or to evade anything you are putting in front of me. But you can well imagine the pressures that are brought upon me every day. I have to isolate myself from them at times as much as I can in order that I may reach a logical decision.

I will do it as soon as I can.

Merriman Smith *[United Press]:* Mr. President, there were some, after your conference with us at Key West, who got the idea from what you said down there that you had reached a tentative decision. Is that a correct conclusion from what you said?

The President: No.

Mrs. Sarah McClendon *[El Paso Times]:* Mr. President, sir, will you take steps soon to carry out the recommendations of your Water Resources Policy Committee? Will you appoint a co-ordinator of water resources for the White House?

The President: I think I put that report before Congress. I have a man now in this work as far, I believe, as deeply as administration—administrative act—can place him—General Bragdon [Special Assistant to the President]. But I think that anything more than he is now doing will have to be authorized by Congress.

(A chorus of "Mr. President.")

Raymond P. Brandt *[St. Louis Post-Dispatch]:* On this Dulles article in *Life* magazine, by Jim Shepley, was any decision reached to use the atomic bomb in those three instances?

The President: First of all, I am not—I have not read that article, and I have read some of the allegations that he is supposed to have made.

I am not going to take a privately written article and discuss it in detail, and thereby make of it a paper if—a paper which, if it is going to discuss those subjects, should be most carefully and properly written.

Now, another thing I am not going to do is to discuss anywhere in the world present, past or possible future decisions and material that comes before the National Security—. It is not proper to do it, and those papers are privileged, and must remain so.

Now, I don't know all of the things that are alleged to have been said. I have complete faith in Mr. Dulles. I do not know whether they were unfortunate expressions used in that article by him or by someone supposed to be reporting on him. But I know he is devoted to peace. He has spent his lifetime in this kind of work. He is a man of great professional skill in the field, and to my mind, the best Secretary of State I have ever known.

Now, that is the answer to that article.

Mr. Brandt: Yes. If this is within the purview of that, can you tell us what arrangements are made to inform our allies or Congress on such a decision?

The President: What decision?

Mr. Brandt: To go to the verge of war and then, if necessary, go over?

The President: Well, I don't admit that you—you seem to me to be putting words in my mouth, Mr. Brandt.

This is what I say: that I am supporting before the world a program of peace. It is really waging peace, based upon moral principles of decency and justice and right. If you are going to do that and are not going to be guilty, every time the thing looks dangerous, of a Munich, you have got to stand firmly.

You may interpret that as being at the brink of something, because the other fellow can react according to his own desires and what he believes to be his best interests.

But when it comes to the matter of war, there is only one place that I would go, and that is to the Congress of the United States, and tell them what I believe.

(A chorus of "Mr. President.")

The President: This gentleman here.

Milburn Petty *[Oil Daily]:* Mr. President, last February the Cabinet fuels-policy committee recommended against federal control of natural-gas production. Do you favor the bill now before the Senate to accomplish that?

The President: You know I have been over that subject—about last June or July, early in the summer, someone here asked this question. I went into it in the greatest detail, including, I believe, some comments on the bill before the Congress where this matter is still being studied. If you will look up that answer, and I am sure Mr. Hagerty will give it to you, that is all I have to say.

Q: Mr. President—

The President: I think Mr. White—

William H. Lawrence *[New York Times]:* Lawrence of the *New York Times*—

The President: Excuse me.

If President Is Disabled—

Mr. Lawrence: Mr. President, have you considered what, if anything, should be done about the failure of the Constitution to specify when and by whom the disability of the President might be declared, and when and by whom it might be removed?

The President: Well, when you are as closely confined to your bed as I was for some time, you think about lots of things, and this was one of the foremost in my mind.

I do believe that there should be some agreement on the exact meaning of the Constitution—who has the authority to act.

The Constitution seems to be clear that Congress cannot

"The Indo-China war was probably settled on the best basis that could be achieved"

"I am supporting before the world a program of peace. It is really waging peace"

only make the laws of succession, but it can determine what is to be done, and it says, "In the case of so-and-so and so-and-so," but it does not say who is to determine the disability of the President. And we could well imagine a case where the President would be unable to determine his own disability.

I think it is a subject that—in its broadest aspects, every phase of it should be carefully studied by the Congress, advised with by the Attorney General, and any kind of advice they want from the executive department, and some kind of a resolution of doubt reached. I think it would be good for the country.

Chalmers M. Roberts *[Washington Post and Times Herald]:* Mr. President—

The President: Yes.

Mr. Roberts: On the foreign issue, sir, within the limitation which, I think, you have placed, I would like to ask this:

I believe you told us at the time last year that the Congress passed a resolution giving you authority to use the armed forces if Quemoy or Matsu were attacked, on the basis of your judgment at that time as to whether this was an attack on Formosa. The implication of the Dulles article, to which reference has been made at one point, was that you had made a decision at one time.

May I ask, sir, have you ever made a decision, or is it still your position that you will make that when and if the occasion arises?

The President: I don't believe I will quote further or say anything further on the subject, Mr. Roberts, because, as I say, if I begin to pick pieces of that article and talk about it, then I begin to make it a part of our official thoughts and records, and I am just not going to do it.

Mr. Roberts: Well, sir, what I was—I was sorry I mentioned the article, then. What I was trying to determine, sir, was whether what you had told us previously, before this article was conceived, still stood—that you would make the decision if and when the occasion arose.

The President: Then, I will tell you this: I went to the Congress perfectly honest and told them that in the circumstances we couldn't tell what was going to happen, and there was no way for me to tell and for anyone else in the world, unless he is a far greater genius than I, what that attack was going to mean when it came about.

I think the character of the attack which was carried forward had to determine in the mind of a qualified person whether it was an attack all out against Formosa or whether it was strictly and completely local. So I think you are talking about a hypothetical case that did not eventuate. There is no way of making an answer to it.

(A chorus of "Mr. President.")

Marvin L. Arrowsmith *[Associated Press]:* Mr. President, to go back for a moment to your opening statement, I think you said it could be considered to have a general application. Would that mean you have no objection to entry of your name in any of the presidential primaries in any State?

The President: Well, it means that I am not going to make any official objection, certainly, and the statement stands on itself, and I did mean it just that way. It would be my answer to all of these.

Mrs. May Craig *[New England papers]:* Mr. President, do you think it is right and proper that a White House physician should conceal from appropriate officials for many hours the serious illness of a President and, too, to refrain for many hours from calling in other physicians to consult on his diagnosis and early treatment?

The President: Well, you are—you are asking what I assume to be a hypothetical question, because in my own case—in my own case, my doctor was in close contact, I think, with others very rapidly, certainly as soon as daylight came, and it was determined what to do about it.

Mrs. Craig: Sir, I understood it was as much as 10 hours.

The President: It may have been. But it probably may take some 10 hours to determine whether a person is suffering from having eaten some bad food or some other cause, I am not sure. I don't—I am not a doctor, you are sure of that.

(A chorus of "Mr. President.")

"I have promised . . . to make the announcement as quickly as a decision is firmly reached"

–USN&WR Photos

"I have had some quite intensive days . . . and so far I have gotten by very well"

The President: I think this man.

William S. White *[New York Times]:* Without reference to anything, sir, that has been said lately by anybody else—I mean that seriously—would you comment in general on the state of the world, on the state of prospects of peace?

The President: Well, there is—we have to get things in perspective.

As you know, for some year or year and a half prior to Geneva, there was a growing pressure, probably more abroad than at home, that some so-called conference at the summit be held.

There was great doubt in this country as to the wisdom of the thing. But one point that was very important in reaching a decision: We would not have the United States placed in the position of being sort of dog in the manger, going to have our way about everything or do nothing.

We felt perfectly capable of defending the principles and policies of the United States. And so that meeting was arranged with the earnest intent on our side to make every conciliatory advance that did not impinge upon the principles and values in which we believed.

Now, one thing happened that you could have expected, and which we, of course, had prophesied or anticipated, and that was that a very wave, a great wave of relief spread around, and there was great hope. And, of course, there was hope, but hope must always be tempered by the existence of facts. Those high hopes have not been realized.

So, if we compare our feelings today as to what they were, let us say, in early August, we have a feeling of great letdown. But if we go back over the period of three years and review the events that have come to pass, the situation is not as dark in many areas, indeed much brighter, than it was at that time.

To counterbalance that, we have had this growing tension and uneasiness in the mid-East, where American policy is to be friends to all, in the certainty and in the earnest belief that only through friendship among themselves is there ever going to be any peace, prosperity and advancement in that region.

We, of course, in that area do not look on the situation with any great equanimity. It is bound to cause earnest thought and study all the time.

But, in the whole general picture—we were in a Korean war that, due to the way we were waging it, there was no chance of winning—because the crossing of the Yalu River would apparently have made a great international—would, you might say, have shocked international opinion.

The Indo-China war was probably settled on the best basis that could be achieved.

Iran, you will remember, just three years ago now—every week we were expecting almost to lose Iran. That has been settled. The British bases in Egypt were another great sore point that has been settled.

The Trieste situation—that caused all of us daily uneasiness.

The first direct attempt to establish Communism in our continent has been eliminated.

So, there are features that would say, as compared to three years ago, the situation is better and brighter. But I would not be guilty of standing before you and to say that there is any cause for complacency or any lack of fervor and study and work in trying to do better.

(A chorus of "Mr. President.")

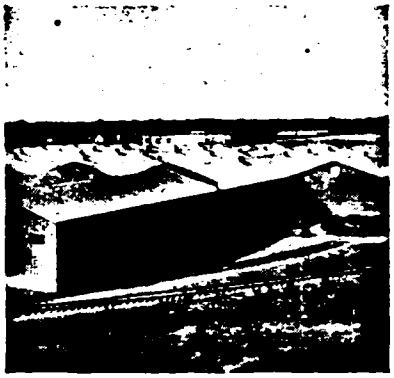
The President: I think the gentleman back there with the glasses.

Edward P. Morgan *[American Broadcasting Company]:* Sir, General Ridgway has charged in an article that, during the time that he was Army Chief of Staff, decisions were made regarding the size of the armed forces which he did not agree to, but which it was indicated that he did by a statement you made in the state-of-the-union message, saying that the Joint Chiefs were unanimous on it, and he also said that decisions were made in deference to domestic politics on these matters. Could you comment on that, sir?

The President: Well, first, if ever I have made a military

(Continued on page 98)

If management could design a business building



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. . . Second term? "I have been busy seeking advice"

decision out of deference to internal politics, then I have been guilty of (violating) my own best determinations. I am determined never in that field to be influenced by such a thing.

Now, I just make two points: First, every sector of the state-of-the-union message in which this statement that I—about the unanimous decision was made—every sector of that report is sent to the department having primary responsibility in that field to check it for every fact, every item that is there, to make certain it is correct.

If there is any incorrectness in any of the matters that appear with respect to the Defense Department section, please see Admiral Radford and General—and Mr. Wilson.

And finally, one other thing: As all of you here know, since back in 1940, I have been receiving advice from every kind of military assistant. Their advice is often expressing their own deeply felt but, let us say, narrow fears.

If I had listened to all of the advice I got during those years, there never would have been a plan for crossing the Channel. Indeed, I think we wouldn't have crossed the Atlantic Ocean. We certainly would never have invaded Africa and the Mediterranean, and I know we never would have crossed the Channel until yet.

So finally there come places where people in authority must make decisions based on the best advice they get.

(A chorus of "Mr. President.")

The President: I think this man here.

Charles E. Shutt *[Telenews]*: About three weeks ago, sir, Premier Bulganin expressed the thought that another "summit" meeting might be fruitful. Would you care to express your views on that, sir?

The President: That is one I missed. I haven't heard that one yet. I haven't anything to say about that.

"A Flood of Mail"

Charles L. Bartlett *[Chattanooga Times]*: Mr. President, you spoke of the the pressures that are being put on you in regard to this big decision, and I wondered if you could tell us whether you are being subjected to a series of pressures from the people who come to visit you, friends and officials, or whether you are being left to make this big decision in relative solitude?

The President: Well, you are pressing very closely to the limits of the field that I debarred, but I will say this—I will say this: I myself said I would seek the advice of my trusted friends and associates, and I have been busy doing it. But, as that goes on, there is a flood of mail, and the mail is generally of one tenor only. I am—after all, a person, no matter how many political enemies he has, does also have lots of friends, and it is—they believe in him, and they are very anxious to express their views. So that is what I referred to when I said that.

Q: Mr. President—

The President: This gentleman.

Robert G. Spivack *[New York Post]*: Recently you suggested a commission to study acts of violence against Negroes in certain States. I wonder if you have discussed this with Attorney General Brownell or the FBI, and if that isn't really one of their functions?

The President: Well, what I want to find out is, of course, someone to try to define the lines in which federal responsibility in the great fields of civil rights lay.

Now, I don't remember that I said "Negroes." I have forgotten some of the details of that message. But I do recall that what I was interested in is to find out where we are violating, and where the Federal Government has any responsibility whatsoever.

I think Mr. Burd was next.

Next Medical Checkup

Laurence H. Burd *[Chicago Tribune]*: Mr. President, has any date been set for this medical examination that you will have next month?

The President: Thank you for asking the question. I came over from my office this morning and knew there was something I had forgotten to do. *(Turning to Mr. Hagerty)* You remember that. No, there hasn't.

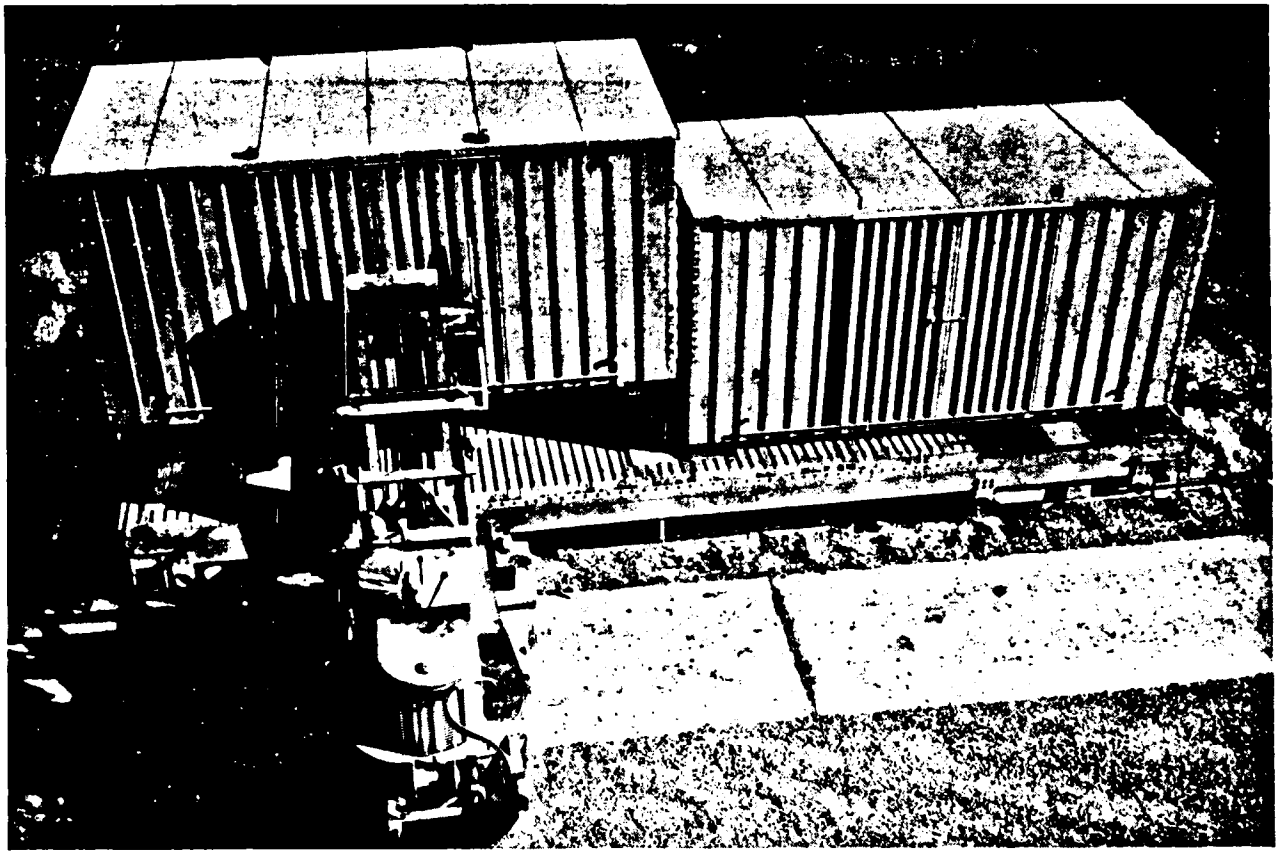
Clark R. Mollenhoff *[Des Moines Register and Tribune]*: Many of the Middle Western Republicans have been suggesting price supports on hogs and prices ranging from something like $16 to $18. I wonder if you could give us your viewpoint on the use of price supports on hogs during the present farm emergency?

The President: Well, it would be—I would be really answering, I think, a very serious question a little bit too rapidly.

Actually, the broad program that we proposed does have a number of features that would begin to bring in income to farmers very quickly. One of them was a renewed purchase price or governmental purchase program for hogs.

I would believe that to go in this whole perishable field and begin the business of price supports would be dangerous. I would want to study it more before expressing myself definitely on it.

Mr. Smith: Thank you, Mr. President.



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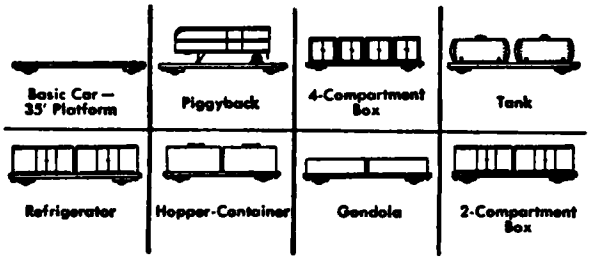

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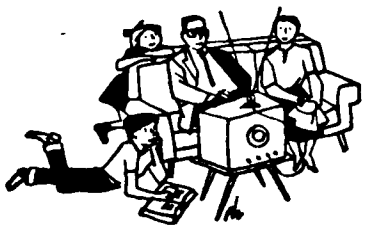
Special Report

(This article represents the result of an extensive research on a problem of outstanding importance.)

PEOPLE ARE CHANGING THEIR BUYING HABITS



THE *CHANGING* FAMILY BUDGET

Per cent of money spent for—	Prewar (1935-1939)	Early Postwar (1945-1949)	Early 1950s (1950-1954)
Food	29.06%	32.64%	31.31%
Tobacco	2.54%	2.37%	2.28%
Clothing	8.58%	9.56%	7.36%
Shoes	1.87%	1.76%	1.51%
Rent, houses	13.14%	9.91%	11.77%
Telephone	.83%	.92%	1.12%
Gas, water, other utilities	4.68%	3.46%	3.46%
Fuel and ice	2.14%	1.72%	1.37%
Domestic help	1.65%	1.44%	1.31%
Furniture	1.32%	1.49%	1.47%
Radio, television	.54%	.76%	1.01%
Household appliances	1.15%	1.47%	1.60%
Tableware, clocks, jewelry, other small durable goods	3.35%	4.16%	3.47%
Automobiles	2.61%	2.63%	4.40%
Auto maintenance	.83%	1.13%	1.18%
Gasoline and oil	3.19%	2.21%	2.79%
Public transportation	1.85%	1.93%	1.50%
Foreign travel and private gifts to foreigners	.57%	.28%	.33%
Physicians, dentists	1.83%	1.70%	1.65%
Hospital care	.70%	.86%	1.10%
Drugs	.86%	.81%	.71%
Beauty and barber shops	.77%	.62%	.53%
Cosmetics, toilet articles	.67%	.75%	.65%
Cleaning, dyeing, laundry	1.05%	1.28%	1.16%
Movies, concerts, other admissions	1.22%	1.21%	.79%
Private schools, colleges	.91%	.87%	1.05%
Other spending	12.09%	12.06%	13.12%

Source: Commerce Department

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Important changes have been taking place in the way the typical family spends its money.

The average family budget is giving a larger place to cars, household equipment, hospital care and travel; a smaller share to clothing and entertainment.

Now some businessmen say a new shift is about to take place, with less money to go for cars, more for clothes.

The American family is spending less for bare-bone necessities, more for things that once were regarded as luxuries.

The change has brought unequaled prosperity to some big industries, such as those making automobiles and household appliances. It is reflected also in more money being spent for hospital care, college education and travel.

On the other hand, people are not setting up as large a portion of the family budget for clothing, shoes and entertainment. Industries catering to these needs feel they have not gotten their share in this prosperous era.

From time to time, further shifts show up in the typical budget. Today there is a decline in purchases of new cars. This is giving clothing shops and department stores new hope of getting a larger share of the consumer's dollar.

In the long run, however, these stores face a terrific battle to get what they regard as a normal share. That is one conclusion that can be drawn from official Government surveys.

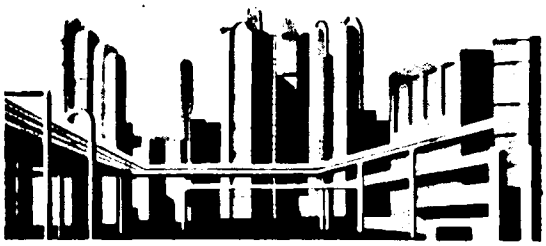
Small shifts, big news. These changes in buying habits, which appear small in the chart on this page, decide the fortunes of many industries. Two examples show what they mean in dollars' worth of business.

If U. S. consumers were to spend for clothing and shoes 8.47 per cent of the family budget, instead of 7.97 per cent actually allotted last summer, shoe and clothing merchants would reap the benefits in an increase in sales of almost 1.3 billion dollars. Some experts in the in-

(Continued on page 102)

fmc puts ideas to work for

PETROLEUM



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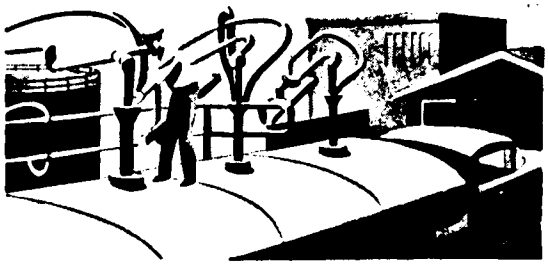

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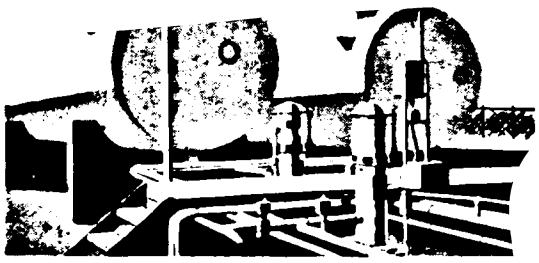

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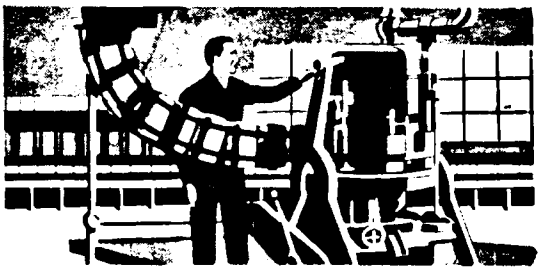

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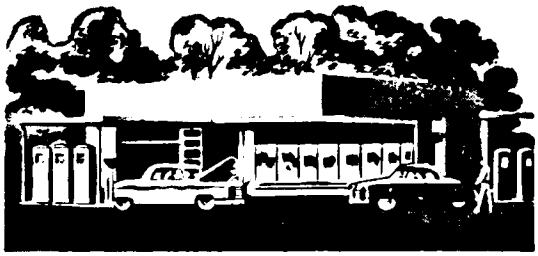

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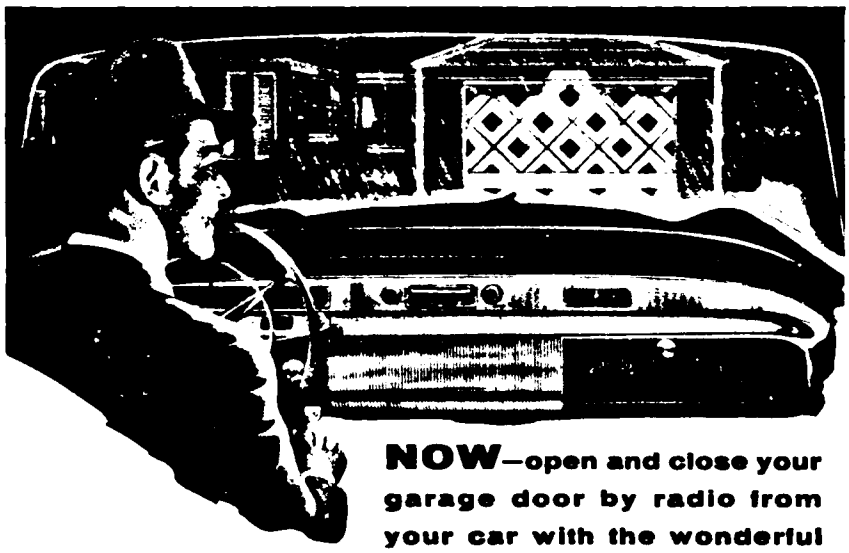

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. . . A 1955 shift in buying habits boomed sales of cars

dustry think some gain, though not nearly that much, is possible this year.

In 1955, a seemingly small shift took place in consumer budgeting for autos. American families decided to spend about 7 per cent of their budget for new and used cars, parts and accessories, compared with almost 5.5 per cent in the 1950-54 period. The result was a rise in sales of about 6.5 billions for dealers in cars and parts. Auto companies were able to turn out a record number of new cars, to employ more workers and pay a record amount of wages.

That shows how much is involved in rather small shifts in family budgeting.

A glance at the chart shows where the

USN&WR Photo

SHOPPING FOR CLOTHING
Will customers buy more—or save?

largest part of the consumer dollar goes: for food.

Better eating. In the late '30s, the typical family paid, for food, about 29 cents out of each dollar it spent. That was in a period when many families had to skimp on the bill of fare.

During the war, these families prospered, and so did the food business. By the early postwar period, people were devoting more than 32.6 cents of each dollar to the buying of food. Food prices had risen rather sharply, in comparison with other costs. And many people were eating more steaks, roasts and fresh fruits.

The taste for luxurious eating continues to grow. People are taking to frozen and precooked foods. The extra cost of these services tends to offset any drop in price in the basic ingredients.

(Continued on page 103)

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Massachusetts, Newton Upper Falls—90 Linden St.
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182-20263 HOOVER ROAD

Special Report [*continued*]

. . . For clothing, a bigger share of consumer dollar?

That is one reason why the family menu plays a larger role in the budget than it did before World War II.

Clothing stores have not done as well as groceries in the struggle for the consumer's dollar.

At one point, after World War II, the clothing merchant was quite fortunate. People were buying extra shirts, dresses and suits when they couldn't get cars or houses, because of shortages. Returning veterans were laying in civilian wardrobes. But this good fortune did not continue for the clothing industry.

When new cars and new houses became plentiful, families set off on a program of housing and equipment that is not yet completed. Millions of new homes, automobiles, television sets and appliances were purchased.

The typical family was spending less than 8 cents for clothing and shoes out of each dollar of purchases in the summer of 1955, compared with nearly 9 cents in 1950-54 and nearly 10.5 cents before World War II.

Now, many merchants hope a shift back in favor of apparel is taking place. Official figures to bear this out are not yet available.

Better housing. Cost of housing, on the whole, has gone down, in spite of the fact that people have been moving into new apartments and larger homes with more conveniences.

Rent or the cost of buying a house does not bulk as large in the family budget as before the war. A rise, in recent years, did not fully overcome the effects of wartime controls on rent. Utility rates also were held back by regulation. Cost of these is not as heavy for the average family as in prewar times.

The telephone bill is an exception. People are buying more telephone service than they ever did before.

Fuel costs have risen slowly, compared with other prices. Household equipment has enabled many people to do with less maid service.

Luxury in the home. While families have been able to hold down the cost of operating the home, they have been making bigger investments in its equipment. Furniture, appliances, radio and television sets, carpets and draperies claim a larger part of the family dollar than they did in prewar years.

The new necessity. Possibly the most significant change in buying habits, since prewar times, is the growing role of the car in the family budget.

Purchase price of cars claimed nearly 4½ cents of each dollar in 1950-54, not

(Continued on page 104)

TOO MUCH TO DRINK TOO LITTLE TO SELL

by
J. P. Van Winkle
President
Stitzel-Weller
(Old Fitzgerald)
Distillery
Louisville, Kentucky
Established 1849

Stopped by the revenuer on a country road, the Kentucky mountaineer claimed his jug contained only water from the spring.

Choking down one test swig, the law insisted the man do likewise.

"What do you know!" sputtered the mountaineer, "The good Lord's gone and done it again."

Now, our whiskey doesn't happen that fast, although it *is* a miracle of nature that changes yeast, grain and water to potable spirit. And it's no less an act of providence, working inside a charred oak keg, that slowly gentles whiskey to the tongue.

We purposely make the kind of bourbon that takes a heap of aging. We're in the "old-age" whiskey business as evidenced by the fact that we have more storage space in proportion to production than anyone in our industry.

Eight years ago we set aside a few choice barrels to age to this miracle of perfection. Lately we knocked out the bungs and sent a sample bottle to a distinguished Institute in Belgium which conducts an international whiskey competition.

We opened our mail the other day, and lo and behold, find a bright gold medal that says our whiskey has won the "Premium Quality Medal of Leadership" over all other competing whiskies.

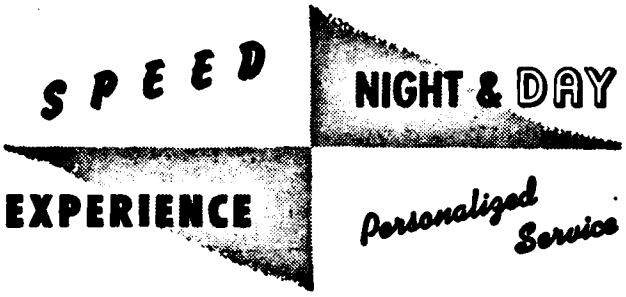
Now there's hardly enough of this miracle stuff to *sell*, yet more than we can *drink*.

So we're emptying these barrels into genteel drum-shaped decanters, labeled *Very Old Fitzgerald*, wrapping them in soft tissue inside a leather-grained box, and offering them on a "this-is-all-for-now" basis.

If you are one of the inner circle whose mature tastes have already discovered OLD FITZGERALD, this miracle whiskey is for you. We'd sooner it find its way into *your* glass than be wasted on anyone unable to appreciate truly fine bourbon.

If you will write me personally, I will set aside a modest amount so long as it lasts, then arrange delivery through the retailer of your choice.

Bonded 100 Proof Original Sour Mash Kentucky Straight Bourbon



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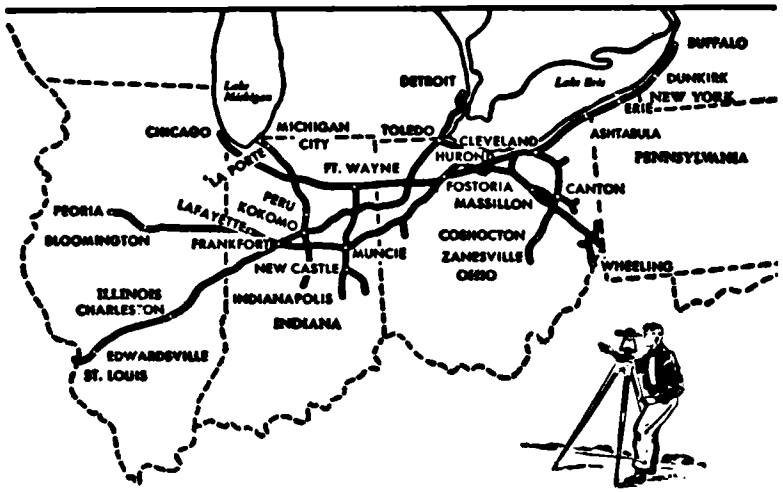

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. . . For many families, plans include second auto

counting parts and accessories. That compares with a little more than 2¾ cents in 1935-39.

Since the average family has come to regard a car as a necessity and a second car as desirable, the expenditure for repairs also has gone up. The cost of oil and gas has not risen comparably.

There has been a clear-cut shift away from the local bus and streetcar lines and from travel on railroads.

That doesn't mean, of course, that people are traveling less. The opposite is the case. Families are spending more money for vacations. They are doing a good deal of this traveling in the family car.

With the rise in television and growing use of the auto for recreation, there has come a decline in the role of movies and other public entertainment. Admissions accounted for a little less than 1¾ cents of each dollar spent in prewar times; today they account for a little more than three fourths of 1 cent.

Medical costs. Surprisingly, money spent for drugs and for the services of physicians and dentists has not increased, in proportion to other family expenses, as might have been supposed. It is commonly said that medical bills are a growing part of the family burden. This turns out to be true in only one respect.

Hospital care is a bigger item for the average family than it was 10 or 15 years ago.

What people save. As business people look ahead in 1956, there is much feeling that people will continue to spend heavily, but perhaps shift their buying a trifle from cars and household equipment to clothing and services. A big question is whether, instead, people will decide to do more saving.

In the summer of 1955, the average family was saving less than 6 cents out of each dollar of income after taxes, spending more than 94 cents. That compared with average savings, since 1945, of more than 7 cents on the dollar.

If people decide not to spend that extra penny this year, the outlook will change a great deal. Money not going for autos will go into the bank or will be used to pay off debts. Clothing merchants will find it harder to win back more of their prewar share of retail trade.

Thus, small shifts in family budgeting multiplied by 50 million families, determine how good business will be in scores of industries. As U. S. consumers reach out for more luxuries and higher living standards, a constant battle goes on to win their favor. In the postwar period, some industries have done much better than others in this struggle.

ing the under
itate.

WHAT INDIA'S NEHRU IS REALLY UP TO

Americans are growing increasingly puzzled about India. They see U. S. giving India substantial aid—and then hear India's leaders criticizing U. S., praising Russia.

Now comes an analysis of India's foreign policy that raises new questions.

This analysis shows India to be constantly complaining about "Western Imperialism"—but ignoring Communist imperialism. It finds India's activities endangering U. S. bases, threatening the Western security system.

The report is based on a two-year study by the Foreign Policy Research Institute of the University of Pennsylvania.

by Alvin J. Cottrell and James E. Dougherty

Research Fellows, Foreign Policy Research Institute, University of Pennsylvania

Following is full text of the conclusions of a study, "United States-India Tensions," by Alvin J. Cottrell and James E. Dougherty, to be published in April, 1956, by Frederick A. Praeger, Inc., under the auspices of the Foreign Policy Research Institute, University of Pennsylvania, Robert Strausz-Hupé, director:

India's chief delegate to the United Nations, V. K. Krishna Menon, made a remark on Dec. 16, 1955, which reflects the growing rift between his country and the United States with respect to the way in which they analyze the present international situation. After Arkady A. Sobolev had cast 15 vetoes against the applications of other countries to membership in the U. N., Mr. Menon lauded the Soviet Union for having "responded magnificently" throughout the debates on the membership question.

On Dec. 4, 1955, Mr. Menon, speaking at the University of Pennsylvania, answered a query about India's neutrality by saying that he would not characterize his country's policy as neutral, because neutrality always presupposes the existence of belligerents, whereas India does not see any belligerents in the world today.

Statements such as these are bound to puzzle Americans, but on closer examination of India's foreign policy they do not appear quite so incomprehensible.

A serious tension is developing in the relations of India and the United States. Not every friction which arises between two countries deserves to be called a tension. A genuine international tension exists when two or more nations are striving for incompatible foreign-policy objectives over a period of years.

Tension relates, in other words, not to a specific misunderstanding which lends itself to diplomatic settlement, but rather to the major orientation of the foreign policies of the states involved. The term should be applied to those areas of important, continuing disagreement which prevent nations from co-operating with one another along a broad front for any considerable length of time.

Allies who are united for broad purposes—as in the North Atlantic Treaty Organization, for example—may experience intermittent frictions over questions of national prestige, economic welfare or methods of dealing with specific situations as they arise within the framework of their agreement on the over-all problem.

Such minor irritations have frequently marked the relations of Washington with London and Paris during the last decade. Though these frictions placed a strain upon the diplomats from time to time, they never broke up the alliance, because the NATO countries had a common objective: their own security.

On the other hand, a state of tension can be said to exist when nations cannot co-operate with one another on a broad front, precisely because their major foreign-policy objectives are mutually exclusive. They might occasionally find themselves working together on an *ad hoc* basis, but when this happens it should not be construed to mean that there is no underlying tension.

Disagreement over the priority of political challenges and tasks confronting the world has become the gravest single source of tension between the United States and India. Prime Minister Jawaharlal Nehru has put the problem this way: "We talk about the crisis of our time and many people view it in different ways. Probably in the U.S.A., the crisis of the time is supposed to be Communism vs. anti-Communism. It may be so to some extent. But the crisis of the time in Asia is colonialism vs. anticolonialism. Let us be quite clear about it."

India, having won its own national independence only eight years ago, now wishes to assign top priority on the international political agenda to the elimination of every trace of "white imperialism" in Asia—and Africa, too. Anticolonialism has become the cornerstone of its foreign policy. This anticolonialism is always couched in the highest moral tones, as if it were an absolute principle that should be applied universally, without any exceptions.

But India apparently reserves its political epithets for the policies of the Western nations toward Asia and Africa. She ignores all other forms of imperialism, whether it be that of

. . . India overlooks Russia's "vast colonial holdings"

the Soviet Union in Eastern Europe and Outer Mongolia, or that of the Chinese People's Republic in Tibet, North Korea and Indo-China.

Indian policy makers have succeeded brilliantly in narrowing the meaning of colonialism to the category of white people versus colored. They close their eyes to the categories of white versus white and colored versus colored, and to this extent they have contributed to an intensification of the race problem at the international level.

India is obviously convinced, and she is trying to convince her neighbors, that Western white colonialism or neocolonialism poses a more serious threat to the colored continents than Communism does. She regards every military, economic or political link which the Western nations attempt to forge with the governments of the Afro-Asian countries as an instrument of neocolonialism.

India's View of Communism

By way of contrast, she does not consistently look upon Communism as a foreign-policy instrument of the Soviet Union or of Red China. Rather, when Communism appears in the nations of South and Southeast Asia, it is looked upon primarily as a domestic political opposition which feeds upon social and economic discontents, as well as anticolonial feeling. Indians frequently charge that whenever Asian nations are drawn into alliances like the Southeast Asia Treaty Organization (SEATO), their independence is jeopardized and the propaganda of the Communist parties assumes added weight.

Nehru believes that Communism cannot bring about a successful revolution in that part of the world except under the guise of a struggle to liberate a nation from its colonial overlords, and therefore regards SEATO as an unnecessary irritant in the Asian environment. India, however, has not been able to persuade all the countries of the Middle East and the Far East that her analysis of the situation is the correct one.

The three Asian nations which have had the most intimate contacts with the United States in this century do not concur in this analysis. The Philippines have had direct experience of American colonial rule. Japan has undergone six years of American occupation. South Korea is the only Asian nation which has ever been an area of extended U. S. military operations. All of these countries, every bit as Asian as India, are allies of the United States.

A number of other countries have allied themselves with the United States and Great Britain. Thailand, the Republic of China on Formosa, Pakistan, Turkey, Iran and Iraq have all shown that in their foreign policies they place the defense of the free world against the threat of Sino-Soviet aggression above consideration of anti-Westernism.

India refuses to conceive the present international political situation in terms of the bipolar struggle. Her leaders attempt to employ ideology, without backing of armed force, to thrust India into the position of the third power center in a tripolar world. They are well aware of their country's military, economic and political weakness during the period of painful transition from a colonial territory to a national state. Consequently, they rely mainly upon the anticolonialist theme, which they have welded to the related theme of antimilitarism. Both of these themes loom large in the propaganda campaign of the Soviet Union.

Since India usually applied these twin shibboleths only against the "white imperialists" of the West, her foreign-policy objectives coincide increasingly with the strategic goals of the Sino-Soviet bloc. The Indians are willing to overlook the fact that the Russians, who are also white, maintain vast colonial holdings of their own, conclude military alliances with China and the Warsaw Pact satellites, continue their own H-bomb experiments in Central Asia, and refuse to accept President Eisenhower's "open sky" proposal for mutual aerial inspection, designed as a good-faith measure to show that neither side is preparing to start a war.

India, in striving to assume the leadership of the emergent nations of Africa and Asia, is exploiting the predisposition of the intellectuals, journalists, and politicians in those areas to accept the Leninist explanation of imperialism as the final stage of capitalism. According to the Leninist theory, the colonial markets and sources of raw materials are essential to capitalist survival.

Switzerland, of course, one of the world's leading capitalist states, has never engaged in imperialism; and the

-Wide World

PRIME MINISTER NEHRU AND MR. MENON
India's leaders "question the motives of the West"

Mongols, Arabs and Spaniards, to mention only a few of history's outstanding empire builders, never engaged in capitalism.

India is partial to the Marxist analysis, and whenever the opportunity presents itself, Nehru, Menon and Panikkar question the motives of the West. No matter what the West does, its motives are never given the benefit of the doubt. The purpose of the economic-aid programs to the underdeveloped countries is taken to be the economic or political subjugation of the countries receiving it, and, simultaneously, the alleviation of capitalist problems of production, consumption and investment. In view of her suspicions of "dollar imperialism," India would prefer to see technical aid coming from the Soviet Union, provided that Moscow could give what India wants.

Doubtless India chooses to emphasize the anticolonial argument because it is the one ideological appeal most likely to strike a responsive chord throughout the colored continents. In order to come forth with clean hands as the champion of

(Continued on page 108)

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"The fissure" between India and the U. S. "is likely to widen into a chasm" . . .

the anticolonial cause, India must react with consummate indignation to the lingering presence of European colonial rule on her own doorstep—Goa.

Quite consistently with her anti-colonial philosophy, India measures the moral rectitude of the foreign policies of other countries by examining their stand on Goa. Indians frown and take offense when Secretary Dulles refers to Goa as a Portuguese province. They smile and take comfort when Bulganin and Khrushchev declare that Goa belongs to India.

A complex relationship exists between India's anticolonialism and her antimilitarism, insofar as the achievement of her objectives is concerned. Ideological pacifism is a powerful component in Indian thought, rooted in Hindu spirituality and reinforced by the imported Socialist strain. But no nation can subscribe completely to pacifism as a working policy.

Force in Indo-China

India maintains troops along the Kashmir and Tibetan frontiers. Moreover, so evil does she deem Western colonialism, that she condoned the use of force by the Viet Minh to drive the French out of Indo-China. Today the leaders of India realize that, in their dialogue with the peoples of Africa and Asia, they must emphasize the struggle to throw off the colonial yoke and mentality, rather than merely declaim against the use of physical force.

Pacifism, after all, is not very deeply ingrained in the cultures of Islam and tribal Africa, where the anticolonial slogans can be expected to produce their most telling effect. India has just begun to perceive the potentialities latent in this ideological theme. Hence the absence of Afro-Asian unity exhibited at the Bandung Conference was perhaps hastily interpreted by Western correspondents as signifying a severe setback to Nehru's aspirations to speak with the voice of Asia and Africa. Bandung certainly did not mean that India's efforts to rally the colored peoples of the world under the banner of anticolonialism are doomed to failure.

What does all of this mean for the future of Indo-American relations? It means, unfortunately, that the fissure which has opened between the two countries is likely to widen into a chasm.

As time goes on, India will press with increasing urgency for the withdrawal of European and American influence from the colonial areas. She will protest the storage of arms in the Afro-Asian lands, as well as the testing of nuclear weapons in the Pacific—the "yellow man's ocean." She will sound the alarm against the maintenance of Western air bases in those areas, and criticize the SEATO and Baghdad pacts as intolerable symbols of Western encroachment upon the independence of the new nations of the East. She can never be content with compromises, reforms or renegotiations designed to place the colonial territories or emergent nations on a more favorable footing vis-à-vis the West.

India is already playing a decisive catalytic role in the United Nations by hammering away at the colonial question until it has become the most emotion-charged issue in the General Assembly. Under Nehru, India is making her influence felt far beyond the confines of Asia. By demanding the liquidation of Western "white colonialism" without offering any alternative guarantee for the security of the free world, India is moving perilously close to the disruption of the NATO defense structure, especially in North Africa. She is paving the way for gradual rollback of Western strategic bases from the defensive rim which the Western nations have constructed around the Sino-Soviet camp. The entire Western policy of peace through deterrence hinges upon the holding of these bases.

A New Picture of U. S.

The United States, admittedly, is being pushed into an unglamorous position. Americans have a liberal record with respect to colonialism, but India is erasing this record from the memory of the Afro-Asian people and is, wittingly or not, trying to replace it with the image of the United States as the champion of the new, more sinister colonialism. The United States is bound to look upon Nehru's policy of lashing out against every vestige of colonialism, regardless of the consequences, as irresponsible in the extreme.

Americans have always appreciated the importance of idealism as a factor for human progress, but they agree with Churchill's judgment that "idealism at other people's expense and without regard to the consequences of ruin and slaughter which fall upon millions of humble homes cannot be considered as its highest or noblest form." America hopes that recent events and utterances surrounding the Bulganin-Khrushchev visit to New Delhi and the activities of the General Assembly of the United Nations reflect nothing more on the part of the Indians than a temporary blindness

. . . India shuns aid with "political strings"

to the realities and values of present-day international politics.

The question confronting American policy makers is this: What, if anything, can be done on the initiative of the United States to reverse the deteriorating trend in Indo-American relations?

It seems that the area in which an understanding can be reached is quite narrow indeed. There are very few concrete, nonideological issues into which the diplomats can sink their teeth. Anomalous as it may sound, it is not inaccurate to say that there is almost nothing to be negotiated between the two countries.

Practically everything that India would like to see the United States do involves not Indian interests directly but the interests of other countries. She would like the United States to abandon the French in North Africa, the Portuguese in Goa, Rhee in Korea and Chiang on Formosa. She would like to see the United States withdraw from its treaty commitments with Asian states, especially Pakistan. She would further like it to consent to the admission of the Chinese People's Republic into the United Nations.

No Guarantee of Friendship

All of these desiderata would, of course, represent strategic or psychological setbacks for the West, but in the nature of things they can carry with them no guarantee that they would make the United States a bit more attractive to the Indians for any considerable period of time.

The United States simply cannot negotiate away either its own security or the security of its allies to placate the Indian Government and intellectual public. Washington obviously cannot discuss the problem of thermonuclear weapons with New Delhi, any more than Moscow could.

There is only one potential channel through which India and the United States might engage in face-to-face contacts, and that is the channel of economic assistance. India, however, while anxious to reap the benefits of such assistance, will not want it put on a face-to-face basis. She will shy away from long-term loans supplied by American private capital, and will prefer to have government-to-government loans routed through the United Nations and the international banking institutions, lest they come with political strings attached.

To sum up, it appears that the initiative for an improvement in Indo-U. S. relations will have to come from New Delhi.

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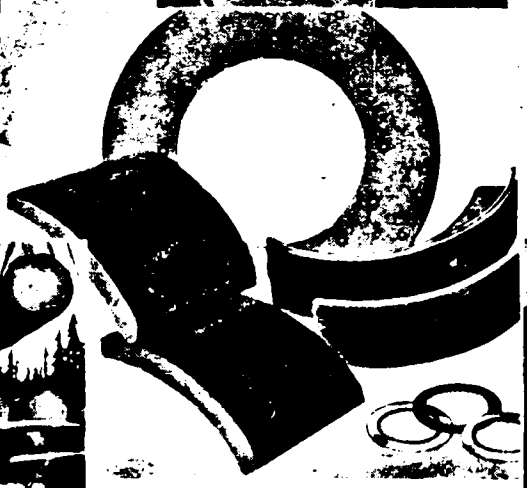

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IN YOUR PERSONAL PLANNING

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The Government now makes it a little easier to build or buy a home. This is what it is all about:

HOUSING CREDIT. Both the Veterans' Administration and the Federal Housing Administration announce they now will approve loans giving the home buyer 30 years to pay off his mortgage. That stretches repayment over a longer period, makes monthly installments a bit smaller, a bit easier to swing.

On a $10,000 FHA mortgage, for example, the monthly outlay for principal and interest becomes $54.75. Before, it was $59.61. On a $20,000 mortgage, payments are lopped about $10 a month.

DOWN PAYMENTS. The announcement restores the maximum mortgage term to what it was before FHA and VA last July put a 25-year limit on loans and upped down-payment requirements. Note, though, that July's down-payment rules still stay in effect. On VA loans, that means 2 per cent down. On FHA, it's 7 per cent of the first $9,000 of appraised value, and 27 per cent on anything above that amount. Whether the Government--prodded by a further drop in home building--will also act to trim the down payments is still a guess.

GETTING MORTGAGES. The fact that VA and FHA again will approve 30-year loans doesn't make such terms automatic. Some lenders may not choose to put out money for that long a time. Some borrowers may prefer a shorter term and the saving in interest that goes with it. The agencies, though, are ready now to underwrite loans covering the maximum period.

If loan commitments have been made, but the VA guarantee or FHA insurance hasn't actually been issued, borrowers can amend loan applications to get the longer term. And persons who already hold 25-year mortgages have a right to change, although refinancing charges may make that impractical.

CONTRIBUTIONS. To answer questions: When you give property to a charitable organization, you can take as an income tax deduction the fair market value of the property, even if it originally cost you less. A special point applies, though, to businessmen--say, a cattleman who donates some cows or a store owner who contributes merchandise. Such people may deduct the fair market value of the gift, but they must also adjust their books to eliminate the item's cost from their cost of doing business. In other words, they can't have the item bring a

(over)

tax reduction both as a business expense and as a charitable contribution.

TAX DEDUCTIONS. You can't claim an income tax deduction for contributions to an organization whose main purpose is persuading athletes to attend a particular college. So rules the Internal Revenue Service. Where the organization isn't actually a part of the university--or supervised or financed by it--then the recruiting of athletic students doesn't class the organization as "exclusively educational" for deduction purposes, IRS says.

LIFE INSURANCE. A U.S. district court in New York decides a question that arises about special dividends payable under mutual life insurance policies. Says the court: If the distribution falls during the "grace period" commonly provided when a premium payment has been skipped, the policyholder still may be entitled to receive the dividend. That's the case when wording in the policy continues it "in full force" during the grace period. This means in force for all purposes, explains the court--not merely in force as paid-up insurance.

PLENTIFUL FOODS. Look for market-basket buys, the Department of Agriculture suggests, in this size-up of food supplies for February:

Pork--continues to be in goodly supply, at reasonable prices.

Potatoes--"new" potatoes due in February, "late" varieties still abundant.

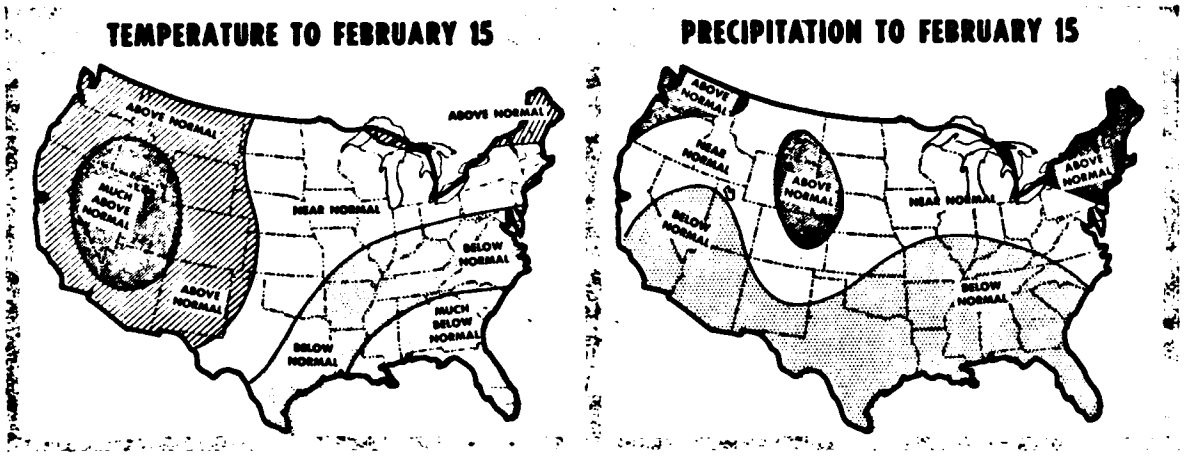
Beef--in generous quantities, especially the higher grades.

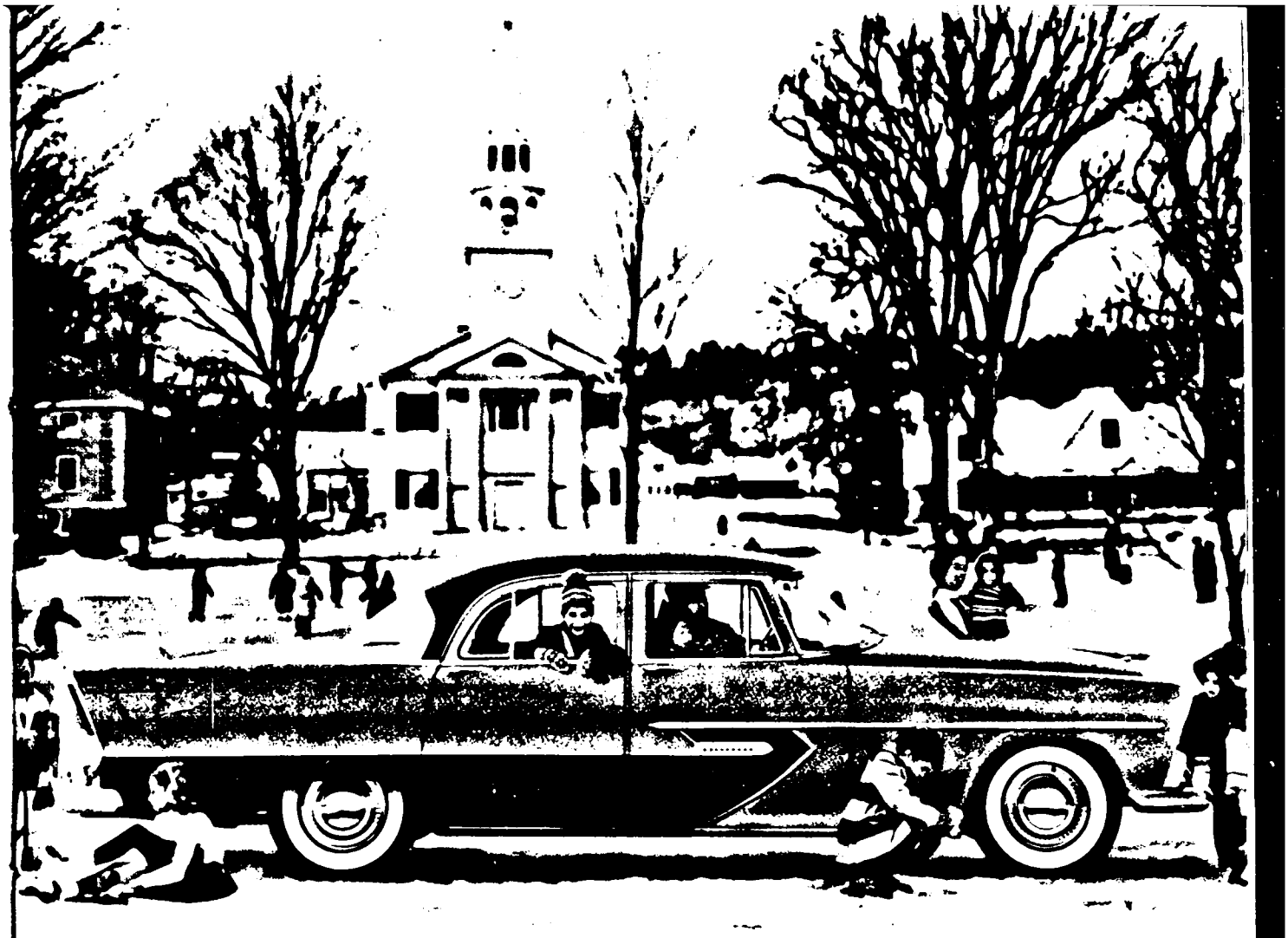
Celery--crop coming in is 20 per cent larger than the average.

Other plentifuls: Cabbage. Fresh and processed grapefruit. Chickens--both broilers and fryers. Rice. New-pack peanut butter. Canned tuna.

COINS. A question comes up about whether a person who cuts or drills a U.S. coin in making a piece of jewelry is violating the law. There is a penalty for "fraudulent mutilation" of U.S. currency. But the key issue is whether an individual who cuts or drills a coin and afterward makes no attempt to circulate it as money is acting fraudulently. Officially, the Treasury frowns on treating coins this way. Chances are, however, that making a coin into, say, a bracelet or souvenir isn't likely to bring trouble with the law.

WEATHER. Warmer than normal in the West, colder than normal in most of the East--that's indicated in these maps based on the Weather Bureau's outlook:





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While other cars stay with part-time power steering, THE *FORWARD* LOOK '56 cars, alone, offer you the ease and control of *full-time* Power Steering!

In power, in safety and in smoothness of ride, THE *FORWARD* LOOK takes giant steps ahead.

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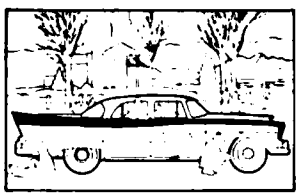
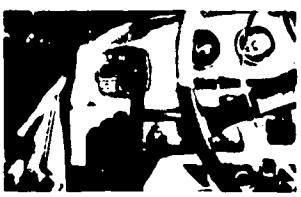


THE FLIGHT-SWEEP, newest note in car design, wraps up the idea of *go* in one bold stroke from headlight to crisply upswept rear fender!



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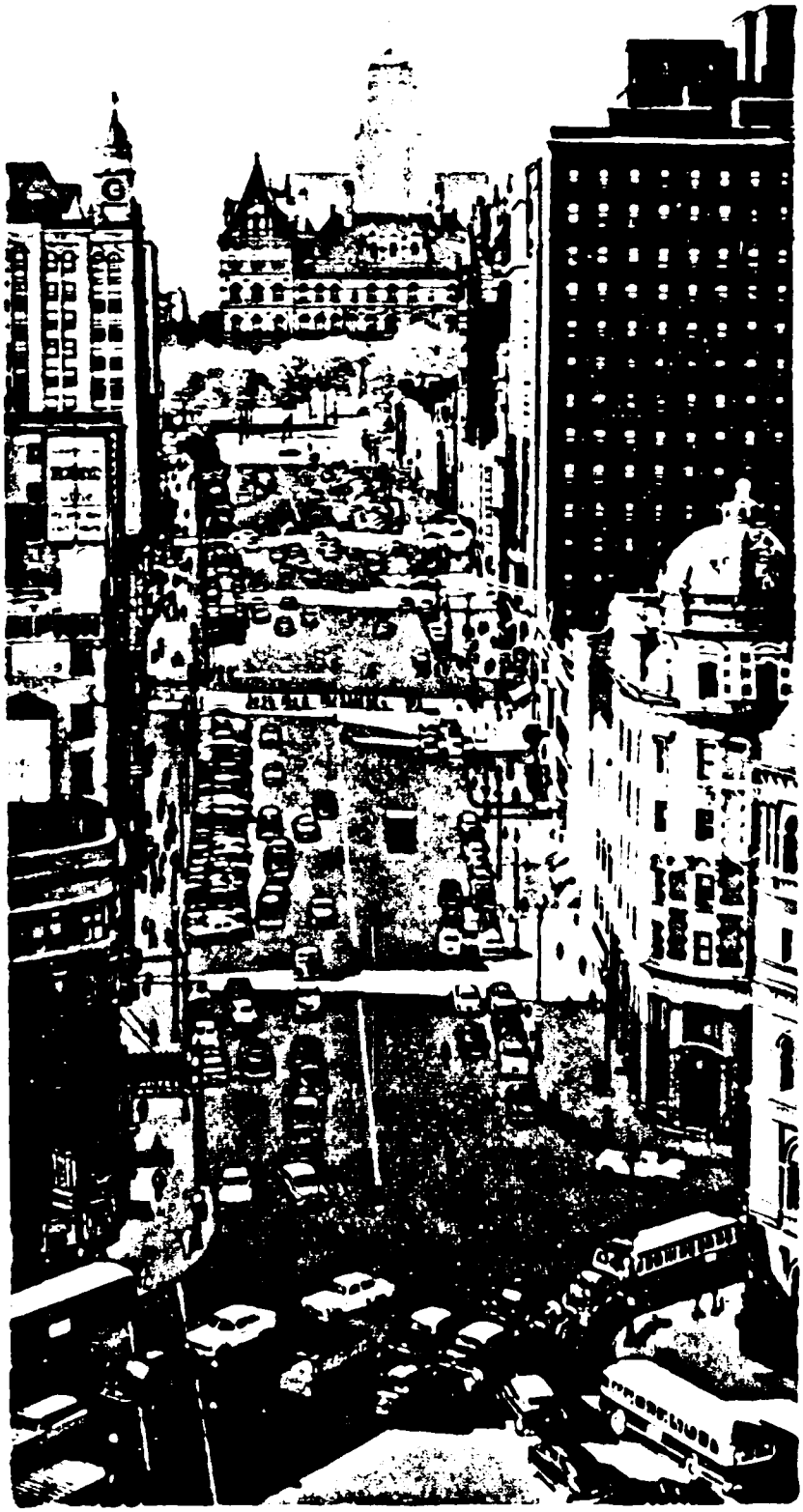

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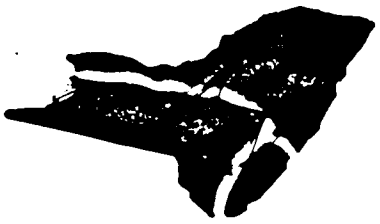

Typical of the thriving, busy cities of Upstate New York is Albany, the State Capital (left). More and more firms are expanding in Upstate New York. One of many reasons is the new Thruway which flows through the heart of the Niagara Mohawk System.

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"ANNUAL WAGE" CHECKS—WHEN?

Layoff Pay to Auto Workers Still Months Away

Auto workers being made idle by production cutbacks are finding some disappointments in the "guaranteed annual wage" plan.

Company payments to jobless don't begin until June 1. And then payments will be limited for younger workers, who lack seniority.

But benefits will increase as the trust fund grows. These benefits are spelled out in what follows.

DETROIT

Layoffs now showing up in the auto industry are raising some practical bread-and-butter questions in the minds of several thousand workers who are out of jobs.

What, it is being asked, ever became of the so-called "guaranteed annual wage" plan that drew so many headlines in 1955? Will laid-off workers start getting unemployment benefits from their employers as well as from the States? How much will an employe get while not working, and when will payments begin?

Answers turn out to be discouraging to those now being separated from auto-industry payrolls, and to those who will be separated in the months immediately ahead. The situation is this:

- There will be no company benefits paid to laid-off workers before June 1, 1956. Auto workers now out of jobs must rely solely on State programs for unemployment benefits.
- Company payments to supplement State benefits are to be started June 1, provided enough States approve the plan for dual payments. Company and union officials are confident that the required number of States will approve.
- After payments start, not all unemployed workers will receive the same benefits. Total amounts will depend on the length of service and the size of the trust funds from which payments are to be made. In the early years, workers will not be able to collect the full guarantee of 26 weeks of layoff benefits from employers.

The chart on this page gives an example of a typical worker's situation in the auto

(Continued on page 116)

If Big Layoffs Come—

What 'Annual Wage' Plan Will Mean to An Auto Worker

NOW, a typical auto worker gets this, if laid off—

$42 a week in State unemployment pay, up to 26 weeks.

His total benfits: $1,092

Starting June 1, when auto industry's "annual wage" plan takes effect, the same worker will get this, if laid off—

For 4 weeks: $42 a week in State unemployment pay, plus $14.56 a week from his company's "annual wage" fund, or a total of $56.56 a week.

In next 11 weeks: $42 a week in State unemployment pay, plus $10.21 a week from the "annual wage" fund, or a total of $52.21 per week.

For another 11 weeks: $42 a week in State unemployment pay.

His total benefits: $1,262.55

NOTE: The "typical worker" in this example is assumed to be earning $100 a week in a Michigan plant, and to have 10 years' seniority with his company.

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Labor Week [*continued*]

. . . Layoff-pay funds already growing

industry. If he is laid off in the early part of this year, he will get only the State benefits. If he stays on the payroll until June 1 or later—assuming the plan goes into effect—he gets extra checks from the trust fund of the company, on top of State benefits.

The auto plan, originated by the Ford Motor Company to meet union demands for an annual wage, went into effect last June in one respect. Companies began building up trust funds to finance the benefits. The contracts call for payment into the funds of 5 cents for each man-hour worked since last June 1.

But the agreements specify that no benefits are to be paid out of the trust

AUTO WORKERS ON THE JOB
When the job stops, what next?

funds until after June 1, 1956. Thus, as the chart indicates, the timing of the layoff can mean about $170 difference in benefits to an auto worker.

The example in the chart is based on a Michigan resident who earns $100 a week, or $87.02 after taxes. This latter figure—called his take-home pay—is the basis for calculating the company's payments under the layoff plans. It is assumed that he had 10 years of service with the firm.

For the first week of a layoff period, the employe collects no money from the company fund. In most States, there is a waiting period of one week before the State benefits start.

Then, after June 1, the laid-off employe will collect his State benefit of $42 plus an extra check from the com-

(Continued on page 117)

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. . . Benefits build up fast for older workers

pany's trust fund. This extra payment will be enough to bring the total benefit to 65 per cent of the normal take-home pay. For the worker being considered, the total payment is to be $56.56 a week.

Since this worker is getting $42 from the State fund, the auto company owes him $14.56 a week from the trust fund.

Under the auto plan, these payments at the level of 65 per cent are to continue for four weeks in any one layoff period. After that, the weekly total is to equal 60 per cent of normal take-home pay.

That is why, in the chart, the weekly payment is cut to $52.21 after four weeks. The auto fund pays less in this second period, since the State payment continues at the $42 level. It will be noted, however, that in the example the extra checks are discontinued after 15 weeks of payments. The exact timing of this cutoff date is in doubt, but the example assumes that the trust fund will be built up to about 35 per cent of its expected maximum by June 1.

Under the agreements, if the fund has reached a level of from 31 per cent to 40 per cent, a worker with 10 years of seniority would be entitled to 15 weeks of benefits. As the trust fund grows—with the Company paying in 5 cents an hour—the worker will be entitled to a longer period of benefits.

Younger workers, with less seniority in the plant, get fewer weeks of benefits, or no benefits at all.

An employe with less than a year of service does not come under the plan. If he is laid off, he collects only State benefits. As auto plants cut down production, these new workers are the first to go, and they are the last to be rehired.

When a worker has built up a year of service, he starts to accumulate "credit units" for the layoff-pay plan. These credits began to accumulate last June 1. Employes with less than 10 years of seniority have been earning the credits at the rate of one quarter unit for each week they worked. Older workers earn a half unit for each week of employment.

After June 1, 1957, all employes with at least a year of service will earn a half unit for each week in which they work at least 32 hours.

When laid off, a worker "pays" for his layoff benefits from these units of credit he has accumulated. Again there is a sliding scale in measuring the number of credits he must have to get a week's layoff pay.

In the early days of the plan, as the trust fund builds up, a worker will need several units of credit to get a single week

(Continued on page 118)

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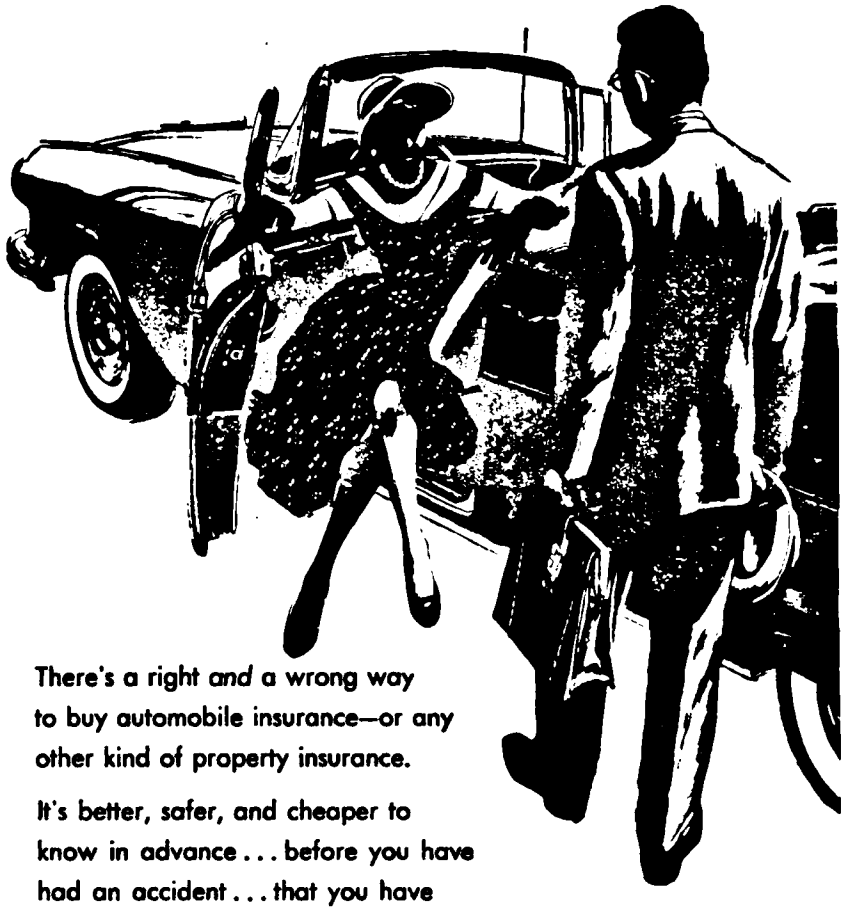
there's one right way to buy auto insurance



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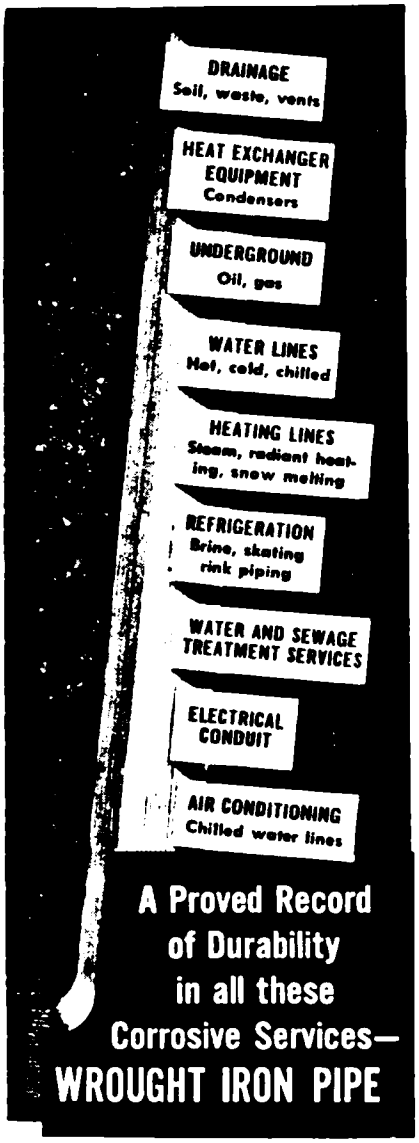

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. . . Auto plan, a pay reserve for depressions

of benefits. The number of credits needed will depend upon his seniority and on the size of the trust fund.

For example, if it is assumed that the trust fund will be up to about 35 per cent of maximum level by June, 1956, a worker with one to five years of seniority would collect about five weeks of unemployment benefits from the fund.

A worker with five to 10 years' seniority could get up to six and one-half weeks of company benefits in a layoff. The worker with 10 to 15 years of seniority would have about 15 weeks of benefits coming to him. The man with 25 years or more in the plant would collect 23 weeks of benefits if laid off.

As the trust fund builds up over the years, the older workers will get the full 26 weeks of benefits before the younger employes are eligible.

When the trust fund gets to the level of 85 per cent, all workers will be able to collect a week of benefits for each unit of credit they have earned. Those who have worked a full 52 weeks at a stretch then will have enough credits to collect the maximum of 26 weeks of benefits.

Older workers thus have an advantage over the newer employes. The older workers have more credits to "spend" on layoff benefits. But, on the other hand, they stand a better chance than the new workers of staying on the job throughout the year.

When auto plants cut back production, as currently is happening in some instances, the younger workers—with the least seniority—are laid off first. The older workers stay on the job even if heavy cutbacks come.

In a depression, however, these older workers would want layoff benefits. That is why the auto plan has its sliding scales of benefits. They are designed to keep some of the money in the trust fund for these older employes.

Any layoffs now in sight for auto workers, it appears, will involve the newer workers. Some of those with less than five years of seniority may be laid off after June 1, and in that case would get about five weeks of layoff pay from the trust funds.

State benefits for unemployment also vary considerably, adding further complications to the auto plans.

New York State, as an example, pays benefits up to $36 a week. An auto worker who earned $100 a week while working will collect the same total benefits as the Michigan resident—after June 1—but the company involved will have to foot more of the bill.

In the case of the New Yorker, the State will pay $36 a week and the auto company will have to add $20.56 a week in order to bring the workers' total benefit up to the 65 per cent level. After the first four weeks of payments, the company share will drop to $16.21.

Missouri offers another example. The most that a worker can draw from the State fund is $25 a week. After June 1, an auto worker laid off in Missouri will collect another $25 a week from the company's trust fund. This might still leave him below the promised level of 65 per cent of take-home pay, but the auto wage plans fix the company's maximum payment at $25 a week.

Employers Fight Stock Bargaining

A controversy over whether an employer can be compelled to bargain with a labor union on a stock-purchase plan for his employes is headed toward the Supreme Court. After losing before the National Labor Relations Board and in a federal court of appeals, employers want the High Court to rule.

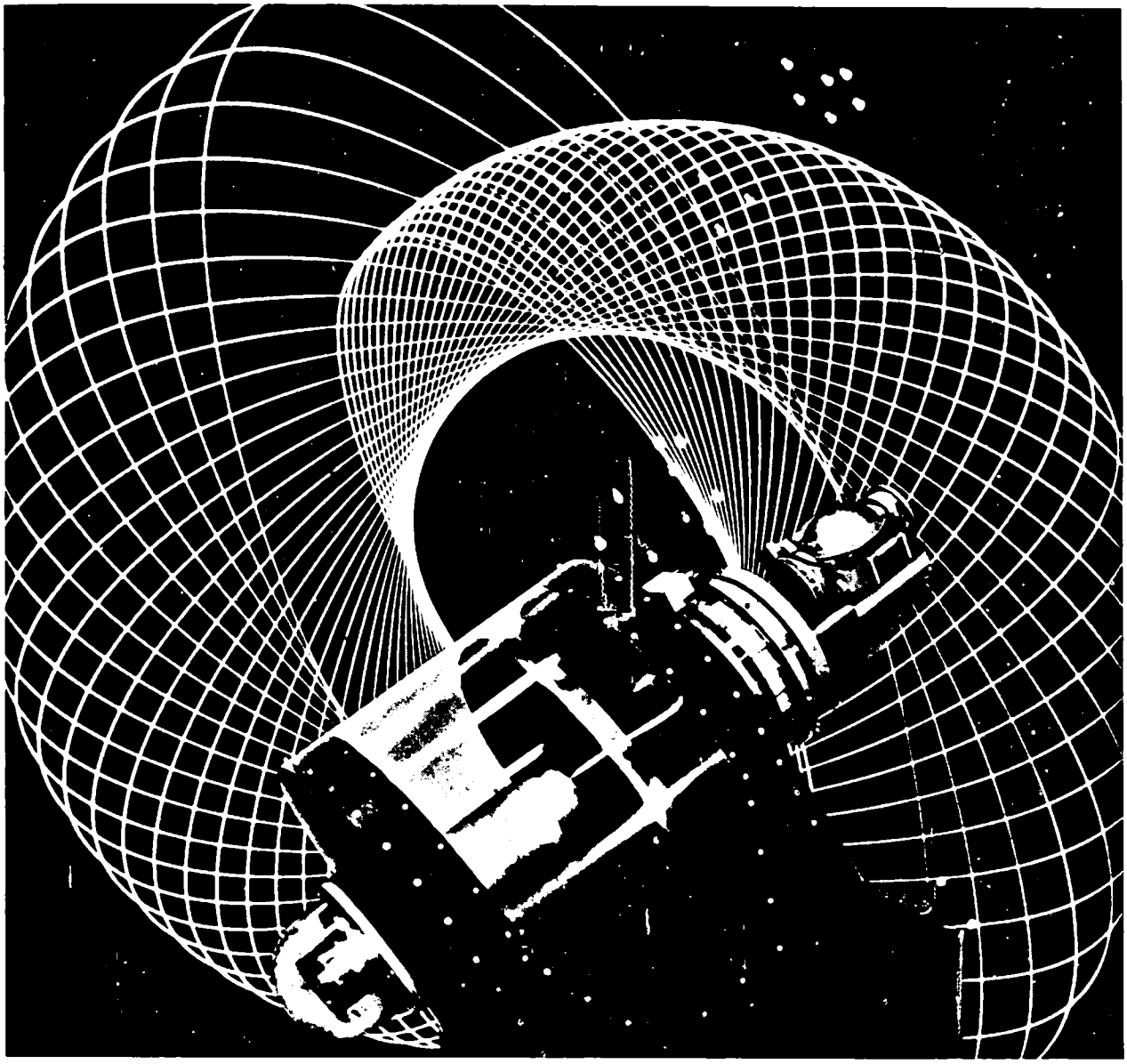
The issue is whether Congress intended that unions could go into the field of stock purchasing and ownership when negotiating labor contracts with employers.

Richfield Oil Corporation argues that the Taft-Hartley Act does not require that a company negotiate with a union concerning a company plan to help its own employes buy the company's stock. Richfield offered to make contributions each year toward the purchase of stock, in a profit-sharing plan.

However, by a 2-to-1 vote, the Court of Appeals for the District of Columbia upheld the NLRB's decision that Richfield must bargain on details of the plan with the Oil, Chemical and Atomic Workers Union. The union wants to make sure, for one thing, that a worker going out on strike does not lose his right to participate in the stock plan. The union has bargaining rights for some of Richfield's employes.

The Court majority agreed with NLRB that the stock plan is subject to collective bargaining because the plan in effect would boost income of the workers who remain with the firm long enough to qualify.

Richfield announced that it will appeal to the Supreme Court. The company protested that the decision "permits the union to represent employes not only as employes but also in their capacity as stockholders . . ."



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SHOULD U.S. HELP NATIONS THAT SEEM FRIENDLY TO REDS?

Senator Knowland Questions Giving Aid to Neutrals

U. S., which has poured out more than 52 billion dollars to help other countries since World War II, now is being asked to give long-term guarantees that aid will continue.

This proposal is causing questions to be raised about the whole foreign-aid program —and especially about aid to neutral nations.

One who raises such questions is Senator William F. Knowland, of California, Republican Leader in the Senate.

In the speech that follows, Senator Knowland challenges the right of any nation to expect U. S. help when it refuses to share the responsibilities of collective defense.

Following are extracts from an address by Senator William F. Knowland to the Economic Club of New York on Jan. 16, 1956:

When 1945 opened there were less than 200 million people behind the Communist Iron Curtain.

Now, just 11 years later, we are confronted with the following facts:

1. Over 900 million people are behind the Communist Iron Curtain, and their totalitarian rulers are united in the common objective of making a Communist world.

2. Governments representing approximately 500 million people have determined to follow a "neutralist" course rather than to assume the responsibilities of an effective collective-security system. They can afford this luxury because others have undertaken the necessary burdens.

3. In the free world we have approximately 900 million people associated together in a series of interlocking mutual-defense pacts. The United States of America appears to be the keystone to the arch, but the columns seem at times to be on shifting sands.

4. The United Nations on its major test as an effective collective-security system during the Communist aggression in Korea (1950-53) had the following record:

A. Only 17 out of the then 60 members supplied any armed forces to resist the aggression.

B. The United States of America alone supplied 90 per cent of the military forces furnished by the United Nations members and 95 per cent of the resources to carry on the collective-security action.

5. In the post-World War II period the United States has furnished over 52 billion dollars in grants and loans to allies and former enemy nations.

6. We have a national debt of 280 billion dollars and a budget of 65 billion dollars. Our taxes, personal and corporate, are high and in some instances confiscatory in character. Many of our citizens have had to borrow funds to meet their income tax bills.

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SENATOR KNOWLAND

It is not my contention that all the virtues are in one political party or all the faults in the other. Members of both parties can fairly share part of the credit and assume part of the blame.

• • •

As long as there is a strong America which stands for principles which free people and temporarily enslaved ones can understand and respect, there is hope for mankind.

This strength is not primarily based on our material wealth, though without it we could not support our own defense nor help others to help themselves.

Our real strength is the spirit and courage which, under Divine guidance, allowed a small colony of 3 million dedicated people to rise up and strike off the chains of colonialism despite the opposition of the mightiest empire of that day.

• • •

Can our economic system survive prolonged burdens of building a system of collective security and a system of neutralism at one and the same time?

If the neutralists are to receive the benefits and have none of the responsibilities of those in the collective-defense system, will not that act as an incentive plan to build up the fence sitters?

Certainly we should not endeavor to remake the world in our political or economic image. We should recognize that neither personal nor international friendships can be purchased; they must be earned.

It is not and it should not be our policy to impinge upon the sovereignty of any nation. We do have a right, and I believe a duty, to point out as clearly as we can the dangers we believe are confronting free men everywhere.

(Continued on page 122)

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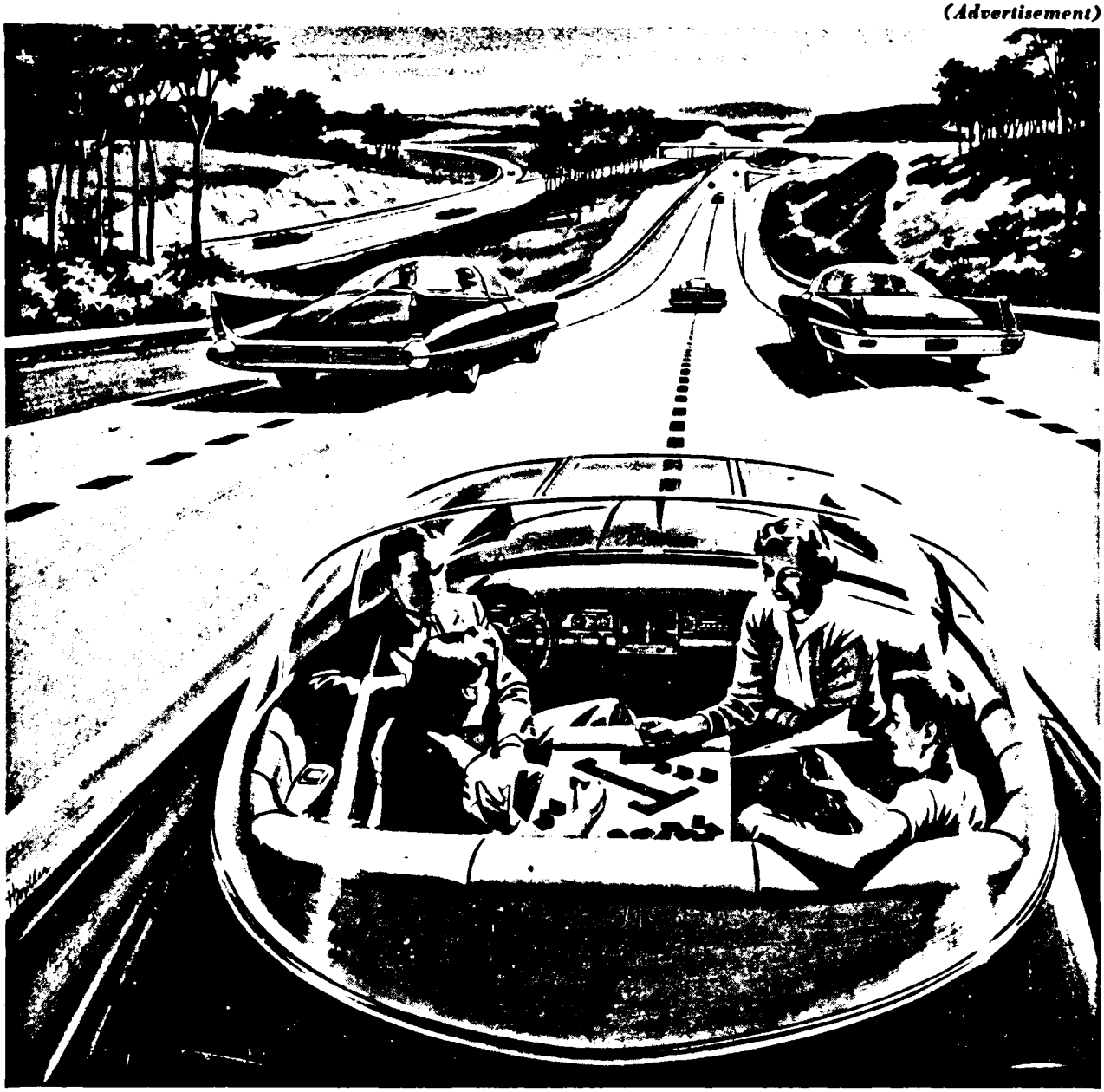

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. . . "Paying debt at 1 million a day" would take until "year 2725"

We can and should point out that we and many of our associates have believed that our own survival and that of free men elsewhere depends upon an effective system of collective security. Whether or not any nation desires to join that system is for their government and their people to decide.

We could, I believe, properly point out that even the resources of this nation are limited, that our people are bearing heavy burdens of debt and of taxes. We could point out that many worthwhile projects for the improvement of our own nation have of necessity been held in abeyance because of the importance of helping rehabilitate the great damage and dislocation growing out of World War II.

We can, and I believe should, point out that in this country our growth and productivity has come because of the liberties guaranteed under our Constitution and our free economic system. American enterprise has supplied the taxes or the wages and dividends from which taxes are collected to carry in part the heavy burdens of the war and postwar period. The balance from deficit financing has added to the vast debt confronting ourselves and our children.

Debt the U. S. Is Carrying

So that our own people and our friends abroad may understand the magnitude of this debt, the following should be noted:

1. With principal payments of 1 billion dollars a year (which was the total cost of all activities of the Federal Government in 1913), it would take 280 years to retire the national debt.

2. If we had started Jan. 1, 1956, paying off on the debt at the rate of 1 million dollars a day, it would be the year 2725 before the last payment would be made. (A total of 769 years!)

We could and should point out, I believe, that in the event of disaster or famine our people, in the future as they have in the past, will generously respond to the relief of human distress, and that in this aid there will be no political commitments expected or required of the nations and people we would be helping.

We can and we should point out, I believe, that we are prepared to help furnish, where requested, technical advice in the fields of public health, agriculture, education or industry to help other free nations of the world in meeting their problems in these and similar fields.

We can also, I believe, point out that if the economic and political climate is made encouraging, there is substantial private capital in this and other nations of the world that could help develop the natural resources, the transportation systems and the industry of such countries, as such investments helped to develop ours.

In this atomic and airplane age in which we now live, this nation can no more return to isolation than an adult can return to childhood.

An effective system of collective security will have to be created and maintained as long as the menace of aggressive Communism continues.

In helping our associates who have demonstrated a willingness to do their utmost to help themselves, we will have substantial burdens. Within the policy of building an effective collective defense, the President should have a considerable amount of flexibility in the allocation of funds appropriated by Congress.

But is it wise to continue to pour out billions of dollars of additional American aid over a prolonged period of time to nations—

(1) That assume no collective-security obligations for the preservation of human freedom, but desire to get all the advantages furnished by such a system on a "free ride" basis?

(2) That have made no reasonable effort to attract private capital to help develop their resources?

(3) Whose leaders use their efforts to travel about the world attempting to seduce nations away from collective security into neutralism when such efforts coincide with present Soviet strategy?

As to the latter, I recognize a sovereign right of any government or any people to choose the road of Fabian or Marxian Socialism if that be their free choice. I question their right to expect or to get long-term government-to-government grants and loans which keep adding debt and tax burdens to the American free-enterprise camel to the point where its back is broken.

Every responsible man and woman at home and abroad must recognize that, if the United States could be destroyed or impoverished by overt aggression from without, by political subversion from within or by economic collapse, we would likely take the whole free world down with us.

There would then be no oasis of freedom to which those already enslaved might look for hope, and there would be no international cornucopia upon which we might call for our own rehabilitation.

On these and other issues confronting us, men in and out of Government may honestly differ. In a free society there is room for such differences and there are certainly no pat solutions for the complex foreign and domestic problems that confront us.

But, likewise, in a free society it is important that these matters be brought into the open and that they be discussed.

Preventing a Hot War

It is my firm belief that if we win the "cold war" we can prevent a hot war from developing. I believe that this can best be done from a position of strength.

It is not now, nor has it ever been, my belief that we should have a "get tough" policy.

On matters of principle I believe that we should be firm and should not yield principle for expediency. In the working out of the negotiable issues, I think we should be reasonable in our attitudes and recognize that conditions change in the world, and a policy which was wise five years ago or one year ago may need modification today.

But I do not believe that we should ever feel it necessary to apologize for either our political system or the economic system which has enabled this nation to grow from a small colony of 3 million on the Atlantic seaboard to a great nation of 165 million, the most productive the world has ever known.

It is my personal belief that we would command more respect from our allies, from the neutrals and from our potential enemies if we insisted on a fair *quid pro quo* for agreements entered into. We should stress the point that an alliance is of little value unless the other party has as much obligation to come to our defense in case of attack as we have to go to theirs.

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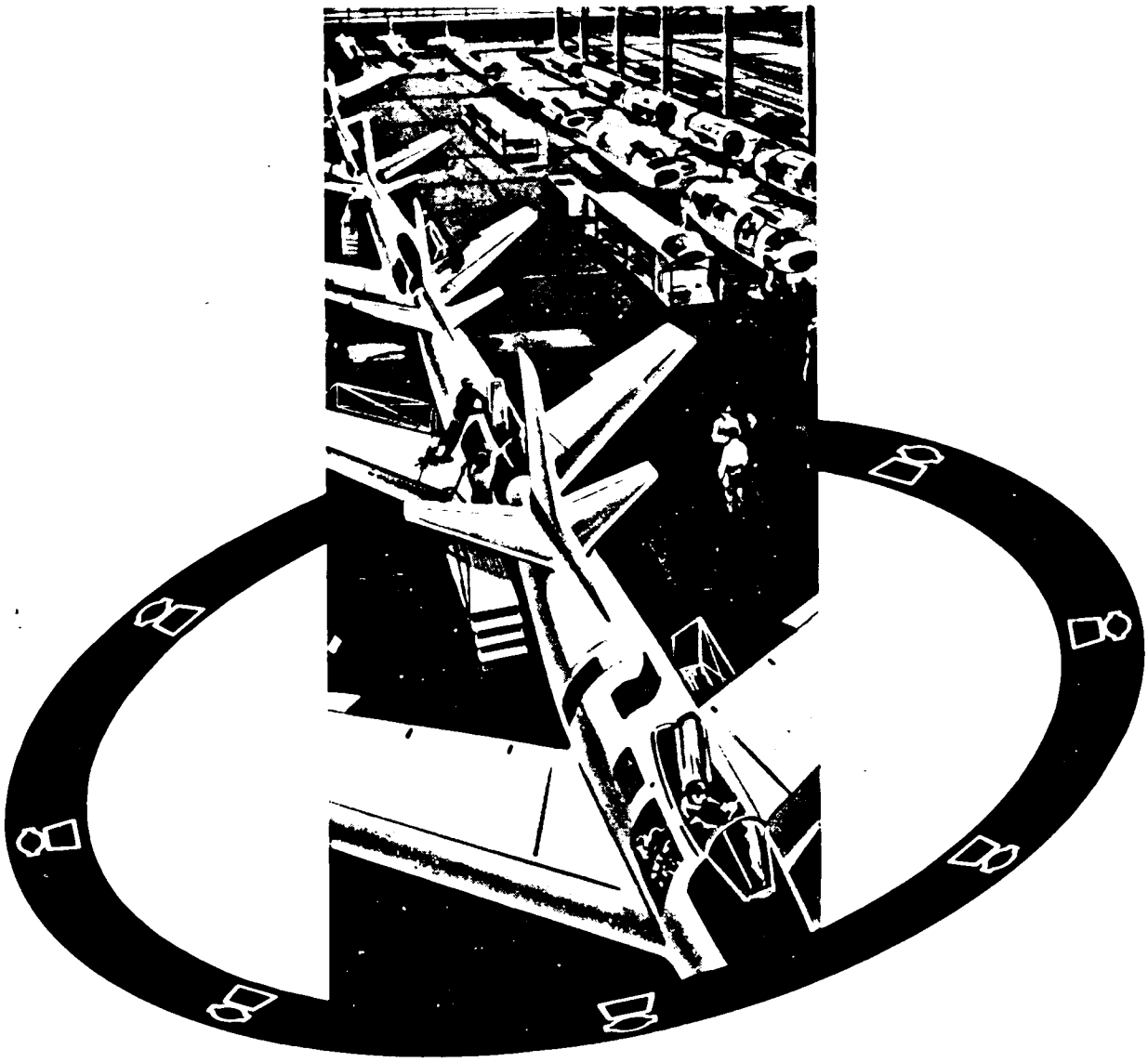

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NEWS-LINES

WHAT YOU AS A BUSINESSMAN ☑ CAN and ☒ CANNOT DO

as a result of recent court and administrative decisions

☑ **YOU CAN** now apply for a license to export ***Salk polio vaccine.*** The Commerce Department's Bureau of Foreign Commerce announces that it will consider export applications where the vaccine is to be used for certain purposes, including research, experimentation, or inoculation of U. S. citizens abroad.

* * *

☑ **YOU CAN** probably get a court to order pickets to stop saying there is a strike at your plant when actually there is no strike. In such a case, a State court permits ***picketing*** to continue only if the signs say "This is not a strike."

* * *

☑ **YOU CAN** legally fire your employes who go on ***strike*** without warning if the walkout might have resulted in substantial damage to your plant. The National Labor Relations Board finds that an employer was justified in the discharge of employes who took part in, or authorized, such a strike.

* * *

☑ **YOU CAN,** under a general license of the Atomic Energy Commission, obtain larger quantities of ***radioactive materials*** for research or medical, scientific and industrial use. This is made possible by a revised regulation of AEC, effective February 10. The same regulation makes it easier for foreign scientists to obtain radioisotopes produced in the U. S.

* * *

☑ **YOU CAN** make a bid to buy ***cheese*** from the Government for export. The Department of Agriculture is resuming the program of receiving competitive bids on sale for commercial export of surplus cheese.

* * *

☑ **YOU CAN** apply until March 16 for a license to export during the present quarter certain ***copper and aluminum*** materials. This cutoff date, just announced by the Bureau of Foreign Commerce, applies to old and new copper, aluminum scrap and some other forms of metals.

* * *

☒ **YOU CANNOT** get a license to export goods abroad after April 1 unless you use a new form for statement regarding the person or company to receive the items. This new form of the Bureau of Foreign Commerce is designed both to reduce paper work and to tighten security precautions on shipments that require ***export licenses.*** Use of the new form, explaining end use and distribution of the goods, is optional for the rest of this quarter.

* * *

☒ **YOU CANNOT** expect the Labor Board to set aside the results of a ***collective-bargaining election*** because the polls were late in opening if all eligible voters were given a chance to cast ballots. In a case where the opening of the voting place was 25 minutes late, NLRB finds that the delay did not keep anyone from voting, so the election should not be nullified.

* * *

☒ **YOU CANNOT** treat as a ***tax-free reorganization*** a transaction by which a new corporation acquires at a foreclosure sale the real estate holdings of its predecessor company. By refusing a review, the U. S. Supreme Court leaves in effect this tax ruling of a federal court of appeals.

* * *

☒ **YOU CANNOT,** as a member of the ***frozen-food industry,*** legally avoid complying with some of the trade-practice rules just issued by the Federal Trade Commission. The new rules list 18 trade practices that are considered illegal. The rules—which become effective February 11—do not apply to meats and poultry and frozen dairy products, including ice cream and sherbets.

Conclusions expressed in these paragraphs are based upon decisions and rulings of courts and Government Bureaus. In making their decisions, courts and bureaus consider many facts which, for reasons of space, cannot be set forth in detail. U. S. NEWS & WORLD REPORT, *on written request, will refer interested readers to sources of this basic material.*

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THE BIG ARGUMENT OVER U.S. FOREIGN POLICY

Two Secretaries of State—Two Viewpoints

A debate is now going on over U.S. foreign policy. What is it all about?

Both sides of the dispute are given here.

● On one side, a Democrat, former Secretary of State Dean Acheson, criticizes the policy of his Republican successor as one of "confusion" and "threats"—a "failure."

● On the other side, Secretary of State John Foster Dulles defends his policy. He claims that its firmness has in three instances saved the U. S. from war.

Where these appraisals clash most sharply is shown, in the following texts, by paragraphs set out in dark type.

Also presented here is a news-conference clarification of his policy by Mr. Dulles.

MR. ACHESON: REPUBLICAN POLICY "WAS A FAILURE"

Following is full text of a copyrighted article, "The Parties and Foreign Policy," by former Secretary of State Dean Acheson, which appeared in the November, 1955, issue of "Harper's Magazine":

It is always dangerous to attribute principles, behavior, or attitudes to men or institutions on the basis of supposed fundamental characteristics. When I am told that Americans are idealistic and naïve, or that Frenchmen are logical, or Germans emotionally unstable, or Asians devious and inscrutable, I always listen to the ensuing observation with skepticism. Not that such generalizations may not have some basis in fact, but they can rarely carry the superstructure erected on them. So I shall both bridle myself and warn the reader that it is most unsafe to find reasons for the attitudes of either Republicans or Democrats in the composition and basis of the parties themselves.

In considering the attitude of our two major political groups toward foreign affairs, however, one fact seems to me pre-eminent. In both of the two great fluid periods of the twentieth century—the periods just before, during, and after the two world wars—the Democrats were in a position of responsibility for the conduct of foreign affairs, while the Republicans were in opposition. This, I think, had more to do with the hardening of their present attitudes than any innate party characteristics.

The Democratic attitude was formed by a government in power, responsible for its acts, and with that intimate knowledge of the new pressures and necessities which comes only from the conduct of affairs. The Republicans, quite naturally, were seeking political leverage with which to obtain power. Their interest turned inward to the domestic political scene, where the forces which could be exploited were the reaction from the burdens and discipline of war and the reluctance to assume heavy and novel commitments far beyond our chores and our experience. The outside world was grim with the heavy burdens and responsibilities attached to power. Contrasting with this was the memory of the world as it had been and as one wished that it might be. Between must lie error and fault. Someone must be to blame for this discrepancy between what was and what ought to be after such vast effort.

In both 1919-20 and 1950-52 the consequent ferocity of the attack by the Republicans on the Democrats knew no limits. It went beyond the policies involved and the competence of leaders. It struck at the character and patriotism of those who devised and executed policies. In the later years it assaulted institutions of government and, as in the Bricker Amendment, even government itself. It is hardly too much to say that the whole conception of trust and confidence, including the confidence of the people in their own judgment, was brought into doubt. The house of government was gutted. The new tenants found themselves the inheritors of suspicion. For, it has well been put, "When the ignorant are taught to doubt they do not know what they safely may believe."

From these historical experiences come, I think, the major influences in the formation of political attitudes toward foreign affairs—the Democrats acutely conscious that we live in a world that has cut deeply into our lives and fortunes and can do so again; the Republicans acutely conscious of the domestic forces which they have twice used to overthrow their opponents. Let us observe how these essential differences have revealed themselves in the years since World War II.

A year after hostilities had ceased we might all have agreed with a *mot* of Sir Wilmot Lewis—"We have chaos," he said, "but not enough to make a world." Perhaps there was enough, and what was lacking was omnipotence. The destruction of the military power of Germany and Japan removed the counterweights which had for many years balanced and restrained the expansiveness of Russia. The powers which had accomplished this destruction underwent division and disintegration. The Soviet Union, following Stalin's speech of February 1946, adopted a policy independent of and hostile to the interests of its former allies. We and our Western allies demobilized our military forces. Perhaps it is more accurate to say that the people demobilized themselves. As a result, the task of creating a balancing power system had to begin at the very bottom. In fact, so great had been the disruption of the war that before one could create an alliance it was necessary to create allies.

. . . Berlin blockade: "Rash action might have landed us in war"

Upon these tasks the United States has been engaged since the end of the war. It is still engaged in them. They must remain a major purpose for years to come; for this purpose fits into and supplements another major purpose that must underlie any foreign policy undertaken by Americans—the avoidance and prevention of nuclear war. In short, the objective of our policy is to avoid and prevent a situation in which we have to make a choice between a nuclear war and surrender.

For eight of the ten years this work was carried on under Democratic leadership and responsibility. As we examine and analyze what was done and what was necessary to get it done, we shall, I believe, see some of the qualifications of the party to do this work and, in the main, to do it successfully.

The familiar list of actions and programs pretty well shows the pattern of what was done and not done in the re-creation of a balancing power to the power of the Soviet system. The British loan of 1946; the checking of Soviet penetration of Iran, 1945-46; the support of Turkey against Soviet attempts to gain a foothold in the Straits, 1946; the assumption of the burdens which the British could no longer carry in helping Greece and Turkey maintain their independence, 1947; the joint action with the nations of Europe through the Marshall Plan to restore them to health and vitality, 1947-50; the assurance in two hemispheres that "an attack against one is an attack against all," 1947-49; the defeat of the blockade of Berlin, 1948-49; the restoration of economic life and the return to the company of free nations of Germany and Japan, 1949-51; the steps to make NATO an effective instrument of military defense, 1950-52; the effort by the Point Four program to bring help to the underdeveloped areas and the new nations in their struggle for improvement for their people and stability for their national life, 1949-52; the expansion of our own military strength and defense and that of our allies, 1950-52; the military opposition to aggression in Korea through the United Nations, 1950-52.

MR. ACHESON

The sweep, coherence, and energy of all that was done is hard to grasp from a mere catalogue of measures, or even to convey at all. The financial effort was immense. So were the production and military efforts. But these do not go to the heart of the real achievement. It lies, I think, in the boldness, the imaginativeness, the creativeness of the thinking, and perhaps most of all in the sustained will which those in charge maintained and communicated to the country. This stemmed straight from President Truman himself. The leadership and effort put forth by the government and people of the United States in these years represented a revolution in American foreign policy and the assumption of burdens and responsibilities wholly new to us.

There is a tendency on the part of some to assume the fact of United States leadership of the free world. We did not seek it, they say, we would be relieved if it could pass from us, but it has been thrust upon us. In other words, it comes from what we are and not from what we do. This, I think, is likely to lead us into error. Leadership is accorded where trust has been first given. And trust is dependent on conduct. It is cautiously given and quickly taken back. I think it wiser to believe that, as we inspire trust, consent will be given to policies which we advocate or support. But what do we mean by trust? We mean that we inspire confidence that the interests we are safeguarding embrace the interests of the people who trust us.

Take as an illustration of successful leadership in this sense the conduct of the British, French, and United States governments in response to the blockade of Berlin. The blockade developed out of the reform of the currency in Western Germany and Russian determination to keep this currency out of East Berlin and Eastern Germany. I doubt that at the beginning the Russians intended a major challenge to the Western Powers. Nevertheless a challenge resulted. When it did, rash action might have landed us and our friends in war. So all of us had the strongest interest in cool judgment, consultation, and action which was adequate and restrained. A course which satisfied these requirements would produce trust. Such a course was followed.

The issues—both over the currency and over the illegality of the Soviet restraints on land and water communication with Berlin—were put into the United Nations and discussed there. In the meantime the air lift to Berlin was instituted by United States, British, and French agreement. Also by agreement, countermeasures to interrupt traffic between East and West Germany were undertaken. The United States inevitably had to carry the largest burden but it did so with the full understanding and support of its friends. All agreed that Western rights in Berlin must be maintained and the West Berliners supported; all were satisfied that their lives and interests were not being unnecessarily risked by provocative or rash action; and—and not least important—the course followed was successful.

On the other hand, consider as an act of leadership the announcement by the Secretary of State in January 1954 of the policy of instant retaliation. Without consultation or warning, our allies were informed publicly that a new military policy had been decided upon and was in effect.

"So long," Mr. Dulles said, "as our basic policy concepts were unclear, our military leaders could not be selective in building our military power. If an enemy could pick his time and place and method of warfare—and if our policy was to remain the traditional one of meeting aggression by direct and local opposition—then we needed to be ready to fight in the Arctics and in the Tropics; in Asia, the Near East, and in Europe; by sea, by land, and by air; with old weapons and with new weapons."

It was pointed out that to be equipped in this all-around military manner cost a great deal. But it was not pointed out that this "traditional" policy of meeting aggression where it occurred had something to be said for it, particularly as a policy for a coalition, or several coalitions, including many nations. To expect defense where the attack occurred gave hope, confidence, and enhanced sense of protection to nations in danger of aggression. Then again, it gave all the nations, including our own, the comforting assurance that those in charge in Washington were not thinking of blasting away

. . . Retaliation plan produced "agitation, doubts, fears"

with nuclear weapons at some place of their own exclusive choosing if aggression took place anywhere. The contrary impression would make them believe that, whatever Washington might think of its own interests, it was not giving much consideration to theirs.

Then the announcement of the new policy went on: "But before military planning could be changed, the President and his advisers, as represented by the National Security Council, had to take some basic policy decisions. This has been done. The basic decision was to depend primarily on a great capacity to retaliate, instantly, by means and at places of our choosing. Now the Department of Defense and the Joint Chiefs of Staff can shape our military establishment to fit what is *our* policy, instead of having to try to be ready to meet the enemy's many choices. . . ."

"Traditional" Policy Scrapped?

This was something of a stunner to our friends. Apparently some pretty basic policy decisions had been made, and made unilaterally in Washington. "This," the speaker said, "has been done." It seemed that these decisions scrapped the "traditional" policy of defense where the attack occured. Apparently, also, the decisions had favored "new weapons" over "old" ones. We were going to depend "primarily" upon a great capacity to retaliate and to do it "instantly," with no time wasted at all. Finally, this retaliation was to occur "by means and at places of our choosing." The word "our" was used twice in this paragraph and italicized the second time.

Mr. Pearson, the Minister of External Affairs of Canada, was quick to ask what was meant by "our" choosing. Whose choosing was "ours"? It seemed that the word "instantly" answered the question. All in all the announcement produced in our friends and our allies agitation, doubts, fears, and loss of confidence in our leadership. In a short time it was diluted by a series of interpretations from Washington, mostly contradictory or qualifying. Confusion grew.

This is almost a classic illustration of the way a leader among free nations should not proceed. For it disregarded the most elementary precepts. First it threatened, or appeared to threaten, nuclear warfare. If one of the basic goals of our policy is to avoid and prevent nuclear warfare, no subsidiary policy can be based on threatening to engage in it. If we mean to carry out the threat, we are false to a basic purpose; if we do not, we may cause dangerous miscalculation elsewhere.

Another precept disregarded is this: not to proclaim policies which do not comprehend the interests of our friends, especially when they have not been consulted. These interests, so they believed, were not served by a policy which seemed to suggest that our primary dependence in meeting any aggression was instantly to precipitate something which seemed very like general war.

A third is that policies formulated must be calculated to bring success in objectives which impress themselves as being important to our associates. The failure of this one was soon to be demonstrated.

"Let us now see," Mr. Dulles said, "how this concept has been applied, taking first the Far East. . . . I have said in relation to Indochina that, if there were open Red Chinese army aggression there, that would have 'grave consequences which might not be confined to Indochina.'"

It was a fair inference from this statement that the new policy was applicable to Indochina and that favorable results were contemplated from its application. Unhappily Dien Bien Phu fell in four months' time and nothing was heard of the new policy. In addition to its other faults, it was a failure.

What has been said so far amounts to this: one of the chief purposes of American foreign policy—which supplements and is necessary to that other high purpose of avoiding nuclear war—is to develop the unity and strength of coalitions of free nations as a balance to the power of the Sino-Soviet system. At present this is our best reliance for living through troubled times without war while maintaining our own and our associates' vital interests. To play our part in these coalitions requires strong domestic leadership.

I believe that the Democratic party in our lifetime has shown the superior capacity to produce and support this leadership and that the Republican party is handicapped by its experience in this century and the tradition and division to which this experience has given rise. My hope is that the Democratic party in opposition and in power will continue to provide leadership which in the future, as in the past, holds firmly to the accomplishment of the central purposes without which all may be lost.

In doing this the party has a great asset in its hospitality to intelligence. In the conduct of our foreign relations in the years following the war, ideas were welcomed and respected. Men capable of having them were welcomed, respected, and both stimulated and supported. The result was a renaissance of thought and inventiveness which was unexcelled—and, it is not too much to say, unequaled—in any chancellery in the world. This was not the work of any one man, or of the several men who directed it from time to time. It was the work of the whole group, supported by the permanent services, inspired and permitted to do the best that was in them. The policies and programs developed and put into effect from 1946 to 1952 show the scope, the depth, and the power of the inventive thought brought to bear.

The effect of this environment of generative energy went beyond the Executive branch. It is seen, for instance, in the figure of Senator Arthur Vandenberg, which looms large in the postwar years. He had ability of the highest order. He was a master of advocacy and maneuver. He had the full respect and admiration of the Senate and the added strength of having been a severe critic of "foreign entanglements." But he did not have a particularly original or creative mind. His instincts were toward caution—to hold back, to examine the difficulties of the course proposed, and to restrain the enthusiasts.

Democrats "Overflowed With Ideas"

These were good qualities. They were ideal qualities for a leader of an opposition which had for a part of the time control of the Congress. For he was dealing with an administration which overflowed with ideas. He did not have to be creative or original. He did not have to furnish motive power. He was free to do what he could do best—criticize, question, examine—until he became convinced of the necessity for a proposed program. He would then put his unmistakable mark on it, and finally give it the essential help of his incomparable advocacy and fervor, the shrewd guidance of his knowledge of the Congress. One may ask whether his deserved reputation would have been so great had his years of influence and power on the Foreign Relations Committee been spent during an administration of his own party.

The years since 1952 in American foreign policy are not notable for the quality of the ideas generated. Policy has coasted on the momentum of past initiative. New situations

. . . Under Republicans, "the stream of ideas had dried up"

have arisen by reason of the very success of past policies. They should not have been unexpected. Even before the death of Stalin, new Soviet tactics and strategy were forecast at the Communist Party Congress to meet the growing strength and unity of the Atlantic Community. When the aggression in Korea was defeated, it was to be expected that pressure would be increased at a softer and more profitable spot. But it is one thing to speak of having "seized the initiative" and quite another to know what to do with it. The stream of ideas, of imaginative thinking had dried up. The power of energetic action seemed to have been lost.

"Whittling Down" the Executive

One reason why this is so lies in the recurrent attempt of Republican legislators to whittle down the Executive and to subordinate its will to the Congressional will in foreign as well as domestic matters. There is enough mischief that follows an attempt in domestic matters to reduce the Presidency from a concurrent, co-equal, and co-ordinate branch of the government to one that is subordinate to the Congress. But the mischief is compounded many times over when this is done in foreign affairs.

The Congress is not structurally organized to exert leadership in that field. Information necessarily comes to it episodically and predigested. It is not in continuous contact with foreign leaders. It is not in a position to assess on a day-to-day basis the opportunities and dangers which spring up in remote places, and then to relate them to a happening ten thousand miles away. The Congress, in short, is not, was not intended to be, and cannot be an Executive.

Nevertheless, under Republican party doctrine, it persists in trying to be one, with results that hobble the Executive impulse. What further splits the energy of the Executive—what contributes to a confusion of policy—what fosters dissensions—what slackens the force of public opinion in censuring misdeeds, is the Republican theory under which the Constitutional Executive permits, and even encourages, the Legislature to encroach on powers that are not its own.

Certainly the power of energetic action has been lost in foreign economic policy—and lost for a very interesting reason. Here one can see that, while in human biology acquired characteristics are not inherited, in the biology of political parties the opposite may be the case. Without pressing the generalization, it does seem to be true that the Republican belief in the efficiency of high tariff protection has been inherited from earlier days and continues, like the appendix, a menace to health after its function has ceased to exist.

With the South for some years after the Civil War no longer a political factor, the Republican North and West surrounded the United States with tariff walls. These grew ever higher as one administration succeeded another. Their necessity and efficacy became an article of faith. Meanwhile our mass-production industry became firmly established, efficient, and in nearly all lines competitive with foreign producers. The Underwood Tariff of 1913 reversed the upward tariff trend, but its lower duties were largely inoperative, as the first world war turned foreign production to military channels and military operations interrupted trade.

That war also changed the American position from one of a debtor nation, needing a balance of exports, to one of a creditor nation, requiring the opposite. Nevertheless, when the Republicans came to power in 1921, the Fordney-McCumber Act imposed duties at new peaks. The leaders of the business community and the business point of view were still in accord with traditional Republican doctrine. In 1929-30 President Hoover would have liked a downward revision and hoped for a time to get one. But the tide in his own party was too strong for him and the revision was upward.

The new Republican Administration in 1953, faced with the facts of international economic life, also saw the necessity of reversing the historic doctrine of protection. "Trade not aid," became the slogan, and the Randall Commission—on the membership and staff of which the highest echelons of business and finance were strongly represented—went to work on the methods of increasing imports and foreign investment.

But it was one thing for the high command of business and party to decide that it was time for a change. It was quite another to convince the rank and file of the party, the general run of businessmen, and—most of all—the politicians who are experts on the beliefs of their constituents and usually a little behind them in changing direction. All Mr. Randall's skill, persuasiveness, and compromises did not suffice to lure the Republican Congressional leadership into the corral. The Trade Agreements Act's very lease on life was kept a tenancy from year to year. Action under the Act came to a virtual stop. Relief from this situation came only from a Democratic Congress.

The traditions of three-quarters of a century and more are deep and resistant. Here the Republican party is divided within itself just as business is divided within itself. A few in the highest positions see the new situation and the need for new policies to meet it. But the many cling to the doctrines in which they have been reared, doctrines for which the supporting arguments of self-interest can be made so speciously simple with the aid of selected statistics. Here the Democrats have the advantage of greater unity, though not complete unity. The growing industrialization of the South exacted a high price as the Reciprocal Trade Agreement Act was amended in the Senate. But the unity is great enough so that under strong leadership, which was possible in the House in 1955, and which can be exercised by a Democratic President, liberal trade policies can be maintained and extended.

Not that liberal trade policies can solve all economic problems or that increased trade is a panacea. It is not. Peoples must have something to trade with before the process can go very far. And this, in turn, brings up the problem of foreign investment to increase the productivity of other parts of the world. We have a deep interest in the stability and independence of many young governments, brought into existence by the newly won independence of their people and acutely aware of their own need for economic improvement, increased production, higher standards of life. Private advice and investment can be of great help. But it cannot bring the minimum assistance which, in our own interest, is required.

Theory of Foreign Aid

So theory must yield to the conception of our government as the whole people organized to do what has to be done. This was the conception behind the Point Four Program and the foreign-aid programs. Our government carried on these programs, not because it was theoretically desirable for government to do so rather than private business or private philanthropy, but because they would not be carried on at all unless government did so—and it was, and still is, essential that this help be given. And it should be given, not grudgingly, or with conditions attached, or as charity, but as a part of

. . . Acheson: "Republican policy is a policy of foot-dragging"

broad and sensible foreign policy to achieve essential results, not to evoke gratitude.

On the whole matter of foreign economic policy these generalizations are not unfair: First, that it makes a lot of difference in what direction policy is pointing and how energetically it is pressed. Second, that Democratic policy, on the whole, makes for the economic health and vigor of the free coalitions, while Republican policy, which is stronger even than its own Administration, is a policy of foot-dragging.

The difference in party attitudes, deeply rooted in their composition and history, may determine success or disaster in dealing with the perils among which we live. Sir Oliver Franks has suggested that the time we have in which to work out our problems is "the working lifetime of my generation. It will not be longer; it may well be shorter. . . . After it there will be no second chance. . . ."

How long is that? Fifteen years? A decade? Perhaps less time than it will take a child beginning school to finish high school? Whatever the time may be it is pitifully short; it is fleeting, it must not be wasted. Years of doing the wrong thing, of putting second things first, cannot be brought back.

What we do in the time given us is decisive. "After it there will be no second chance."

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WHAT MR. DULLES SAID ABOUT "THE BRINK OF WAR"

Following is full text of an article, "How Dulles Averted War," by James Shepley, chief, "Time-Life" Washington Bureau, from the Jan. 16, 1956, issue of "Life" magazine:

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At 2 a.m. on June 18, 1953, Secretary of State John Foster Dulles was awakened by the ringing of the telephone in the bedroom of his home in Washington. It was the officer of the dog watch at the State Department with an urgent radio message from Korea. President Syngman Rhee had ordered his troops guarding the prisoners of war compounds to release all captured North Koreans and Red Chinese. The handful of American officers and noncoms at the camps were powerless to prevent the action and the prisoners were streaming away from the compounds by the thousands.

Dulles listened quietly, grunting an occasional "Yow" to acknowledge. Then he reached over to switch on the light. And at that moment, as his fully aroused mind shook off the fog of sleep, Dulles saw himself and the nation standing on the brink of a new war. It was the first of three times during the Eisenhower administration when the U. S. was brought perilously close to war—and when the new policy of deterrence instituted by Dulles preserved peace.

Why Rhee's highhanded action threatened war will be explained below. This, plus the full story of our other close brushes with war in the past three years, is revealed here for the first time with new information provided by the Secretary and by the State Department. In the conduct of his office, Dulles not only radically revised the "containment" policy of the Truman administration but also altered drastically the basic concept of the job of Secretary of State.

Dulles' direction of U. S. foreign affairs is under attack these days as the presidential election year gets under way. The new information made available to this writer, however, bulwarks the substantial case to be made for Dulles, a case that until now has not been made as strongly as it could because important sections of the record could not be made public.

Here is that record.

The Eisenhower administration's foreign policy began to take shape aboard the cruiser *Helena* as the President-elect returned to the U. S. after having made his promised visit to Korea. With those cabinet officers whom he had already selected, Eisenhower held daily conferences to consider what should be done about the stalemated war. Dulles led most of these discussions. In the singular lifelong preparation for the job he was about to undertake, he had probably devoted more thought to the subject of war and peace than any other man alive. He believed that he had isolated one of the major underlying causes of war: in a word, miscalculation.

All the great wars of modern history, Dulles is convinced, were started by national leaders who thought they could get away with it. When they found out that they could not, it was too late. The Korean war, Dulles argued, had been caused by Moscow's mistaken belief that the U. S. would be unwilling to fight to stop armed aggression against South Korea. As much as Dulles admired his predecessor Dean Acheson's courageous reaction to the aggression, he felt that Acheson had made a tragic mistake in suggesting, just six months before the Communists attacked, that South Korea was outside the U. S.'s "vital perimeter" area.

As Dulles presented these conclusions in the meetings aboard the *Helena*, Eisenhower listened thoughtfully. (At times he listened a little impatiently too. More accustomed to the quick, crisp manner of a military briefing officer than to the thoughtful pauses of Dulles, Eisenhower was once heard to exclaim, "Why doesn't he speak up faster and say what he has on his mind?") When Dulles had finished, the newly elected President made his first vital decision. He would make every effort to bring an honorable truce out of the negotiations then in progress. But if the Communists tried to continue keeping the U. N. command and the U. S. bogged down in stalemate, the U. S. would this time fight to win.

This would mean carrying the air attack into Manchuria, where the Chinese army and air force bases had been protected by the Truman administration's decision not to cross the Yalu River, even by air. Furthermore, in order to save lives in the U. N. command, Eisenhower decided on the tactical use of atomic arms should hostilities be renewed.

Our allies in the U. N. command would be informed of these decisions when and if the time came to implement them, but meanwhile it was urgent to make sure that the Reds would not again act out of miscalculation. Characteristically, Dulles undertook personally to see that this was done. Setting out to make his first goodwill visits as the new U. S. Secretary of State, he called upon India's neutralist prime minister, Jawaharlal Nehru. Dulles had confidence in Nehru's genuine interest in peace and, more important, in his ability to communicate speedily with Peking.

Dulles told Nehru that the U. S. desired to end the fighting in Korea honorably. He also said that if the war continued, the U. S. would lift the self-imposed restrictions on its actions and hold back no effort or weapon to win.

Within two weeks after his trip to New Delhi, Dulles received word from Korea that the Reds appeared to have begun

. . . The Red Chinese "accepted a propaganda defeat"

to negotiate seriously. The negotiations were not proceeding smoothly, but they were proceeding. The major disagreement concerned the prisoners of war.

More than 22,000 North Korean and Chinese prisoners of the U. N. command had said they would refuse to go back home. The Reds insisted they must be returned. It was an unprecedented wartime situation but one in which it was never in doubt where justice stood. Dulles had made it clear that the U. S. was standing firm on a principle of justice and that no prisoner would be returned against his will.

So it was necessary for the Communists to retreat on this issue if a resumption of war was to be avoided and it was necessary to allow the Communists to retreat without losing face, if possible. It was while the negotiators were searching for a back way out of this dangerous impasse that Syngman Rhee slammed the door in their faces by releasing the prisoners. Far from wanting to end the war, Rhee wanted to renew it. His goal was to reunify all Korea. The release of the prisoners, he hoped, would force the Communists to break off negotiations and the war would be resumed.

This was the situation in which Dulles found himself when the State Department watch officer telephoned the news.

Dulles picked up the direct phone to the White House and asked the switchboard operator to awaken the President. He told Eisenhower of Rhee's action and briefly stated the implications. Dulles found the President calm and ready. The *Helena* decision was reaffirmed. The Manchurian targets had already been carefully selected so as to limit them to areas of clear military importance.

But the North Koreans and the Red Chinese did *not* walk out of the conference. They continued to negotiate, thus accepting a propaganda defeat by acknowledging that almost half of their captured soldiers did not want to return. They did so, Dulles believes, because they had had unmistakable warning that further delays would no longer be met with U. S. indecisiveness.

Thirty-nine days later the truce was signed.

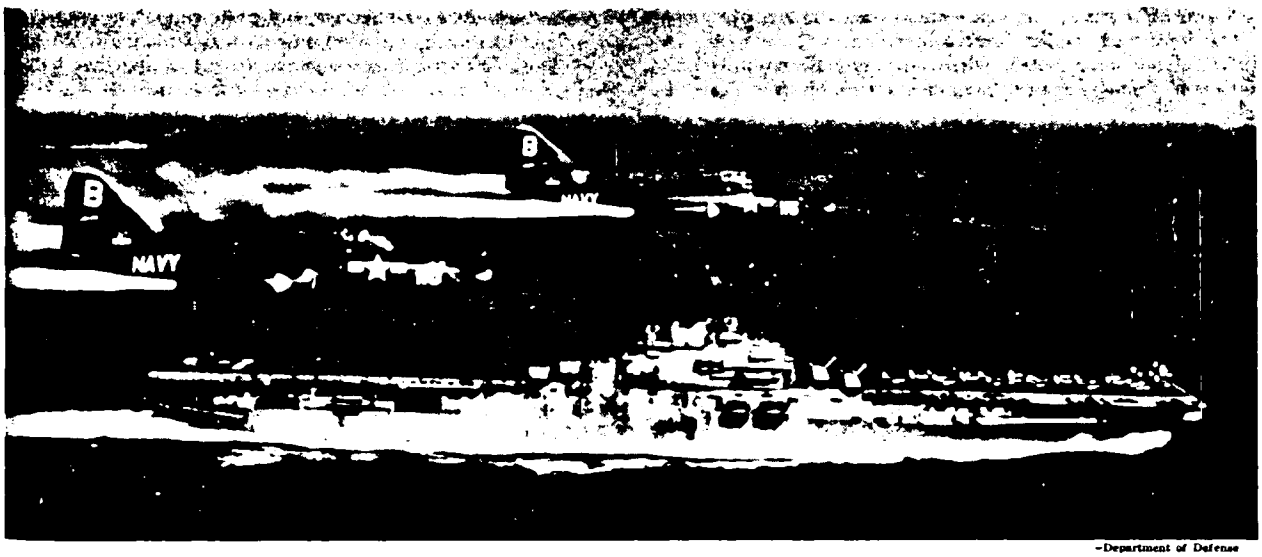
The second time that the U. S. was brought to the brink of war came in April of 1954. The French situation in Indochina had become desperate. The French pleaded for American intervention in the form of a carrier strike against the Vietminh forces besieging the fort of Dienbienphu. After careful reflection and several National Security Council meetings on the subject, Dulles concluded that a carrier strike against Dienbienphu's attackers was a poor way for the U. S. to get involved. Yet is was urgent that the situation be salvaged. Otherwise, in a kind of "domino effect," all southeast Asia might get knocked over.

On April 4, Dulles went to the White House with Admiral Arthur Radford, chairman of the Joint Chiefs of Staff, to present Eisenhower with a proposal for action. If Britain would join the U. S., and France would agree to stand firm, Dulles pointed out, the three Western states could combine with friendly Asian nations to oppose the Communist forces on the ground in Indochina just as the U. N. stepped in against the North Korean aggression in 1950. There was, of course, the clear risk that Peking would send its armies openly into Indochina as it had done in Korea, staging them out of bases in south China.

Dulles recommended that the dangers be faced, and that if the Chinese Communists intervened openly, their staging bases in south China be destroyed by U. S. airpower. President Eisenhower concurred. He cabled Prime Minister Churchill and Foreign Secretary Eden, asking them to discuss united action in Indochina.

The British reply came and Dulles took off for London on April 10. At the same time two U. S. aircraft carriers, the *Boxer* and the *Philippine Sea*, steamed toward the South China Sea from the Philippines. On board were their tactical air groups armed with atomic weapons. It was a modern version of the classic show of force, designed both to deter any Red Chinese attack on Vietnam and to provide weapons for instant retaliation if it should prove necessary.

From London, Dulles went on to Paris, and by the time he returned to Washington, five days later, the preliminaries had been completed for a formal meeting of Britain, France and those Asian states which would jointly take up the battle in Indochina. The meeting was scheduled for the Tuesday after



-Department of Defense

DETERRENTS TO ATTACK: AIR AND SEA POWER OF THE SEVENTH FLEET

"The imporant thing is that the aggressor know in advance that he is going to lose more than he can win"

. . . "Again the policy of boldness impressed the Communists"

Easter. Dulles thought he had a specific agreement to this effect from Churchill and Eden as well as a reluctant agreement from Bidault, who still clung to the hope that the U. S. would intervene in Indochina alone, which he preferred to the cumbersomeness of combined international forces.

Britain's "Change of Heart"

But all plans were suddenly arrested on the afternoon of Easter Sunday, when it became apparent that the British had had a change of heart. The British ambassador, Sir Roger Makins, called the State Department to report that he had new instructions from London directing him not to attend the Tuesday meeting.

It was the first major frustration Dulles had encountered as Secretary and for several days he was at a loss to invent a substitute for his plan. The situation became more and more dangerous. (Friends who were close to Dulles at the time observed that the nervous blinking, which is the only outward evidence of the severe strain under which he operates, was noticeably intense.)

Meanwhile the Western powers faced a conference with Russia and Red China on Asian problems to be held at Geneva. Dulles regarded this conference with extreme misgivings. Mendès-France evidently wanted to dump the load of the Indochina war at any cost. The threat of a Communist takeover throughout southeast Asia was grave.

But again the policy of boldness impressed the Communists. Dulles had seen to it that the Chinese and the Soviets knew that the U. S. was prepared to act decisively to prevent the fall of all of southeast Asia. It was also clear to the Communists that the French and British, if they were pushed too far, would accept Dulles' suggestion for united action. Thus, instead of negotiating from the extreme and undisguised weakness of the French position, Mendès-France and Eden found themselves able to bargain from Dulles' strength. It can be argued the Geneva conference on Indochina represented no victory for the West but Dulles is convinced that the solution finally agreed to was acceptable because it eliminated the possibility of a "domino effect" in southeast Asia. Half of Vietnam was lost to the Communists but southern Vietnam, Laos and Cambodia were saved.

The third time Dulles faced war came in those weeks in late 1954 and early 1955, when menacing Communist maneuvers were made against Quemoy and the Matsus—the time now identified as the Formosan crisis. Here war was avoided mainly by a resolution drafted by Dulles and passed by an overwhelming bipartisan vote in Congress which authorized the President to use U. S. military forces should the Chinese Communists attack Formosa. Thus the Chinese were publicly put on notice that Eisenhower was ready and authorized to retaliate at once. (Dulles has never doubted, incidentally, that Eisenhower would have regarded an attack on Quemoy and the Matsus as an attack on Formosa.)

Later, during a visit Dulles made to Burma, that country's neutralist Prime Minister U Nu worriedly told him that the Chinese Communists meant business. Dulles replied that the U. S. meant business too. His answer almost certainly was passed on to Peking, thus warning the Chinese a second time.

Dulles is the first to admit that wars which do not happen must remain speculative wars until, at least, someone privy to the decisions of the other side writes his memoirs. "Nobody," he concedes, "is able to prove mathematically that it was the policy of deterrence which brought the Korean war to an end and which kept the Chinese from sending their Red armies into Indochina, or that it has finally stopped them in Formosa. I think it is a pretty fair inference that it has."

Whether or not these incidents constitute proof of the prevention of war, they do provide dramatic illustrations of the new approach to foreign policy instituted by Dulles three years ago this month.

When John Foster Dulles walked into the office of the Secretary of State freshly vacated by Dean Acheson in 1953 he made no change in the physical arrangements except to hang the pictures of two former Secretaries of direct interest to him. These were Grandfather John W. Dulles, who served under President Harrison, and Uncle Robert Lansing, who held office under Wilson. What Dulles did change was the basic concept of the office.

President Truman's Secretaries of State worked essentially in the pattern of the administrative executive. They counted time away from Washington as serious neglect of the Department. Dulles took the opposite view. He regarded too much time spent in Washington as neglect of the U. S. task of free world leadership.

Reverting to an older tradition, he undertook personal direction of the country's foreign affairs, assigning himself the role of No. 1 diplomat of the U. S. The day-to-day routine of departmental administration he has delegated to his undersecretaries, having been careful to select the best men he could get for the job: first, Eisenhower's former Chief of Staff, General Walter Bedell Smith, who was succeeded by the present undersecretary, Herbert Hoover Jr.

All of the major questions since Dulles took office have either been handled personally by him or decided on the basis knowledge he had acquired on his worldwide trips. In three years these trips have taken him a total of 226,645 miles to 34 countries; to some of them, like France and England, he has traveled time and time again. He has spent so much time in the air that he was not surprised to hear about the observation of the 3-year-old son of one of his traveling security officers. Pointing a stubby finger at the picture of a Constellation in a magazine advertisement, the child told his father, whom he had seen in and out of Washington National Airport on the Secretary's trips, "This is where Mr. Dulles lives."

The business of the Secretary of State cannot, of course, be confined to traveling abroad on personal diplomatic missions. But Dulles has found that his extensive traveling has helped rather than hindered him in the performance of his other duties. He has found that he can work more efficiently and can concentrate for longer periods in the undisturbed atmosphere of a long plane flight than he can in Washington.

Diplomacy in the Sky

His trips are customarily arranged to begin at the end of a day's business in the State Department so that the night can be utilized for traveling. Once in the air, Dulles relaxes completely. Frequently he changes into a pair of slacks and sport shirt and indulges in his hobby of poring over the aerial charts on which the course has been marked by his pilot. (Dulles is an excellent sailor and navigator.) He then calls on his traveling staff to give him a full briefing on the problems likely to be encountered at the destination. If he is going to a NATO meeting he takes along the Assistant Secretary for European Affairs, Livingston Merchant. If he is going to Japan or Indochina, he is accompanied by Assistant Secretary for Far Eastern Affairs Walter Robertson. State Department Counselor Douglas MacArthur II, Legal Adviser Herman Phleger, Assistant Secretary for Public Affairs Carl McCardle

. . . Against Red force, "policy of deterrence has worked"

and his private secretary, Phyllis Bernau, make up the permanent traveling staff.

When the briefing is out of the way Dulles will linger over one, sometimes two, highballs of Pennsylvania rye. After a substantial in-flight meal, Dulles kibitzes briefly at the bridge game which is usually underway by this time, then retires to his berth with his ever-present legal-size yellow writing pad in hand. Before he goes to sleep he puts down the thoughts generated by the briefing. At the morning conference, just before landing, his staff will often be surprised to hear him outline an entirely new approach to a problem on which they had briefed him the night before.

The cause for most of Dulles' flights during the first few months of his secretaryship was the desperately urgent need to plug the many holes in the free world's line of defense against Communism.

1953: Where Wars Threatened

When Dulles took office Iran was in the hands of a sobbing madman named Mossadegh who seemed determined to destroy his own nation and the delicate balance of world power rather than yield an inch to the British on the question of oil ownership. Italy and Yugoslavia threatened war over title to the Adriatic port of Trieste. Britain was evacuating its women and children from the Suez Canal Zone in preparation for war in Egypt. The Korean war was in a hopeless stalemate and the French were being driven inexorably out of Indochina. France was dragging its feet on its own proposal to integrate the military forces of Western Europe. Germany, unarmed and restless, had no treaty alliances with the West. The Austrians had almost given up hope of a treaty of liberation from World War II occupation. The so-called line of containment which the Truman administration had started to build in Greece and Turkey was no line in theory or in fact from Turkey all the way to the Philippines. And the Communists even had a foothold in the Western Hemisphere, in Guatemala.

So effectively has Dulles now plugged the holes that freedom's defense line has now been linked up from Italy to Japan. Except for Egypt, India, Afghanistan, Burma, Switzerland, Sweden and Finland, which prefer varying forms of neutrality in the struggle between freedom and Soviet tyranny, all of the major segments of the non-Communist world are linked in mutually supporting alliances. The problems of Iran, the Suez, Trieste and Austria are behind us. Guatemala has a non-Communist government. And, most important, West Germany is rearming as a member of NATO.

It was to achieve the indispensable goal of rearming Germany that Dulles made one of his most criticized statements: his blunt warning that the U. S. would be forced to make an "agonizing reappraisal" of its foreign policy if France continued to block the establishment of the European Defense Community (EDC) which was to include Germany. Although the French rejected EDC, they shortly thereafter, with Dulles' warning in mind, signed the London-Paris Accords which opened the way for Germany to join NATO.

The two cardinal principles which Dulles substituted for the containment doctrine of his predecessor are the "long haul concept" and "deterrence." Dulles explained the long haul concept on his first appearance before the NATO foreign ministers on April 23, 1953. He said: ". . . The Soviet menace . . . is [one] which . . . may persist for a long time, through periods of retreat as well as of advance. . . . We must be prepared to be strong . . . for an entire historical era."

The policy of deterrence is based on Dulles' belief that wars are caused by miscalculation. His first public declaration on deterrence came in his speech to the Council on Foreign Relations on Jan. 12, 1954: "Local defense," he said, "must be reinforced by the further deterrent of massive retaliatory power. A potential aggressor must know that he cannot always prescribe battle conditions that suit him. . . . The way to deter aggression is for the free community to be willing and able to respond vigorously at places and with means of its own choosing."

Dulles' ever-alert critics jumped on the phrase "massive retaliation" as 1) too tough, and 2) ineffectual. It implied, they argued, that every time a squad of infantry crossed a frontier somewhere, Dulles would drop atomic bombs on Moscow. It was argued that we would never do it, and because the Communists knew we would not, it was nothing more than a dangerous bluff.

Actually Dulles did not mean what some critics have put in his mouth. In an article written for the April 1954 issue of *Foreign Affairs* he explained that by "massive retaliation" he was thinking not of an attack on Moscow but of such retaliation as would make a Communist military adventure of any size unprofitable. He said in effect that it was his intention to make the punishment fit the crime.

The best example of what he meant is the retaliation planned, if necessary, against the Chinese Communists, either in connection with Korea or Indochina. "They were specific targets reasonably related to the area," he recalls. "They did not involve massive destruction of great population centers like Shanghai, Peking or Canton. Retaliation must be on a selective basis. The important thing is that the aggressor know in advance that he is going to lose more than he can win. He doesn't have to lose *much* more. It just has to be *something* more. If the equation is such that the outcome is clearly going to be against him, he won't go in."

Hydrogen War "Prevented"

In those situations, all of them peripheral, where the Communists have tried force—Korea, Indochina, Formosa—the policy of deterrence has worked. Deterrence, as practiced by Dulles, has not only prevented the "big" hydrogen war but the littler wars as well.

Always, of course, there has been and continues to be risk. Says Dulles, "You have to take chances for peace, just as you must take chances in war. Some say that we were brought to the verge of war. Of course we were brought to the verge of war. The ability to get to the verge without getting into the war is the necessary art. If you cannot master it, you inevitably get into war. If you try to run away from it, if you are scared to go to the brink, you are lost. We've had to look it square in the face—on the question of enlarging the Korean war, on the question of getting into the Indochina war, on the question of Formosa. We walked to the brink and we looked it in the face. We took strong action.

"It took a lot more courage for the President than for me," Dulles adds. "His was the ultimate decision. I did not have to make the decision myself, only to recommend it. The President never flinched for a minute on any of these situations. He came up taut."

Dulles was not even momentarily deceived by the phony "New Look" unveiled by the Soviets at the summit conference in Geneva last summer. Before the conference he wrote a memorandum on July 6, pointing out that the Kremlin could hope for diplomatic gains at Geneva, including "an appearance that the West concedes the Soviet a moral and social

. . . "Communism must relinquish its hold on satellite states"

equality. The Soviet will probably make considerable gains in this respect." But the President and Dulles agreed that the importance of proving that the U. S. would negotiate sincerely outweighed the inherent risks.

Shortly after he returned from Geneva, Dulles wrote a memorandum proposing a postconference course for U. S. policy. "We must assume," Dulles wrote, "that the Soviet leaders consider their recent change of policy to be an application of the classic Communist maneuver known as 'zigzag,' *i.e.*, resort to 'tactics of retreat to buy off a powerful enemy and gain a respite' (Stalin). We must not be caught by such a maneuver.

"On the other hand, it is possible that what the Soviet rulers design as a maneuver may in fact assume the force of an irreversible trend. Our own conduct should be to encourage that to happen, without at the same time setting up, on our side, an irreversible trend toward accommodation which would expose us to grave danger if the the Soviets pursue covertly, or later resume overtly, their aggressive design."

"Geneva Spirit" Buried

The correctness of this estimate—as well as the foresight in accepting the Soviets' glad-handing warily—was of course finally confirmed two weeks ago when Khrushchev, at a meeting of the Supreme Soviet, buried the last remains of the "Geneva Spirit" in a violent attack on the West, the U. S. and Eisenhower personally.

Plenty of serious foreign policy problems still lie ahead. The U. S., as Dulles readily admits, has yet to find a solution to the fundamental and complex problem of reorienting the economic patterns of the free world, which have been so seriously disrupted by the Iron Curtain.

There is a second basic foreign economic problem in the expanded plans to dispose of U. S. agricultural surpluses abroad. Privately the entire State Department chafes at the efforts of another branch of the government, Ezra Benson's Agriculture Department, to alleviate its surplus problems by dumping abroad. By its cheap sales of rice to Japan and other traditional markets of the rice-producing countries of southeast Asia, for example, the U. S. has driven rice-producing neutrals like Burma and friends like Thailand closer to the Communist orbit.

There is little question that the Eisenhower administration would strengthen the free world position if it could come up with some further imaginative approach to the general objective of raising the living standards of mankind. It has not yet produced as good a contribution as the Point Four program of the Truman administration which it has continued. The one Eisenhower proposal which could have been, and could still be, as worthwhile as Point Four—the atomic energy proposals—has been allowed to lag.

A promising new approach to foreign aid was referred to in the President's State of the Union speech last week. This would set up a $1 billion program to help underwrite great engineering projects like Egypt's Aswan Dam over the next 10 years. Spending will be limited to $100 million a year, the plan being to use this money to underwrite the loan of much larger sums from the World Bank.

There are political problems of the cold war which transcend the economic problems. At the head of the list Dulles would place Germany. But on this subject he does not share the gloom of those who argue that all Germans long so desperately for restoration of their national integrity that they will ultimately trade away their freedom and their alliance with the West in order to achieve a made-in-Moscow brand of reunification. To this Dulles answers that no nation on earth has yet gone willingly behind the Iron Curtain. He does not fear the free exercise of choice between East and West for any people on earth—and especially in Germany where, as nowhere on earth, the relative merits of the free and Soviet socialist systems are in clear focus.

From the outset Dulles has steadfastly insisted that the principle of justice is the heart of U. S. policy. Not only must Soviet Communism be prevented from enslaving the remaining two thirds of mankind; it eventually must relinquish its hold on the satellite states it holds in tyranny.

Perhaps no position of Dulles' has been more misrepresented than this one. It has been charged that his "liberation" program required military actions he knew to be impossible. But Dulles explained his intent clearly in an article written for *Life* in May 1952: "We do not want a series of bloody uprisings and reprisals. There can be peaceful separation from Moscow as Tito showed, and enslavement can be made so unprofitable that the master will let go his grip. . . ." The important thing, he argued, was that the U. S., the defender of freedom on earth, "makes it publicly known that it wants and expects liberation to occur."

Furthermore Dulles believes that the evolutionary process he hopes for has already begun. During a weekend off from the foreign ministers meeting last fall in Geneva, he paid a visit to Yugoslavia's Marshal Tito. He made the trip primarily to hear this one-time satellite's analysis of conditions in Eastern Europe. The interesting facts Tito confided to him at this meeting cannot at present be divulged. But Dulles came away convinced that the yeast of freedom is working vigorously in the satellite countries.

"I don't mean to suggest," he says, "that there will be an early breakaway of the satellites from Moscow. But I think there will soon be visible signs of an evolution toward governments which command more popular support than those which now exist, and which are markedly less the paid hirelings of Moscow."

How deeply the Kremlin fears defection of its East European satellites was made clear by the Soviet leaders in private conferences at the Geneva summit conference. Coexistence, they hinted, could be worked out if the U. S. would acquiesce to continued Soviet domination of its satellites. The President's reply came in a speech on Aug. 24. Eagerness to avoid war, the President said, could lead to acceptance by one nation of injustices perpetrated by another. The U. S. would never do this, he said. He added, "If we accept destruction of the principles of injustice for all, we cannot longer claim justice for ourselves. . . ."

Red Attack on Christmas Greetings

The Kremlin's reaction was indicated by Khrushchev's blustering complaint in his Supreme Soviet speech two weeks ago against what he called the "crude interference" of Eisenhower in sending Christmas greetings to the satellite peoples.

In Asia, Dulles has to worry about the continuing warlike preparations of the Communists opposite the Formosa Strait and the renewed shelling of Quemoy. He is deeply concerned but he has long since learned not to panic easily. "When I think of the problems behind us," he explains, "I am not too worried about those ahead of us. New problems are one mark of progress. If you are not progressing you have the same problems."

Dulles has scheduled a call at Manila for a SEATO conference, after which he will go on to Formosa. He plans other

. . . Dulles: U.S. policy "is a calculated risk for peace"

calls on the leaders of free Asia. And on the way home, westward around the world, he will meet with other premiers and foreign ministers, thus continuing the personal diplomacy which he has made so effective in the past three years and which has brought the U. S. a long way from the negative theory of containment.

Today the world, free and slave, knows not only where the U. S. stands on the question of Communism but what the U. S. intends to do about it. And they know because the U. S. Secretary of State himself has told them, in the greatest display of personal diplomacy since the great days of the Franklin-Adams-Jefferson triumvirate in the Europe of the 1780s.

Dulles himself best described his kind of diplomacy when he said to me, "What we need to do is recapture the kind of crusading spirit of the early days of the Republic when we were certain that we had something better than anyone else and we knew the rest of the world needed it and wanted it and that we were going to carry it around the world. The missionaries, the doctors, the educators and the merchants carried the knowledge of the great American experiment to all four corners of the globe."

HOW MR. DULLES ANSWERS HIS CRITICS

Following is full text of the section dealing with meeting the risk of war from Secretary Dulles's news conference of Jan. 17, 1956, as released by the State Department and authorized for direct quotation:

Secretary Dulles: I have a brief statement to make about a matter which I judge to be of current interest.

An article in *Life* magazine has attracted much comment. Let me say this: I did not write the article, I did not review or censor the article, or know of its title. I did not know in advance of its publication date and, in fact, I did not read the article until after it was released for publication. Having read it, I authorized our Press Officer to say that the statements specifically attributed to me did not require correction from the standpoint of their substance.

Most of the statements specifically attributed to me are quotations or close paraphrases of what I had already said elsewhere. One is somewhat ambiguously phrased, but the ambiguity can easily be resolved if read in context and with reference to the many public statements which I have made.

I believe that the United States should adopt every honorable course to avoid engagement in war. Indeed, I have devoted my whole life to the pursuit of a just and durable peace. I believe, however, that there are basic moral values and vital interests, for which we stand, and that the surest way to avoid war is to let it be known in advance that we are prepared to defend these principles—if need be, by life itself.

This policy of seeking to prevent war by preventing miscalculation by a potential aggressor is not a personal policy; it is not a partisan policy; it is a national policy. It is expressed in mutual-security treaties which we now have with 42 nations and which the United States Senate has overwhelmingly approved. It is expressed in Public Law 4, whereby the Congress, by an almost unanimous bipartisan vote, authorized the President to use the armed forces of the United States in the Formosa area, if he deemed it necessary for the protection of Formosa and the Penghus [Pescadores].

This policy of making clear our position in advance, of course, involves risks. As Senator Vandenberg said about the North Atlantic Treaty, it is a calculated risk for peace. But, as we have learned by hard experience, failure to make our position known in advance makes war more likely because then an aggressor may miscalculate. The policy of deterrence is only one aspect of the task of maintaining a just and durable peace. It is necessary to be patient; it is necessary to be conciliatory; it is necessary to make our peace a vital force for justice and human welfare so that all men will aspire to share that kind of peace.

My views with respect to peace have been made known on many, many occasions and there is no reason to think that they have altered because articles dealing with complex subjects of foreign policy inevitably tend to oversimplification and special emphasis.

Q: Mr. Secretary, the article, however, said that it was based on information hitherto undisclosed. I was wondering if you could tell us what the occasion was that—it did say that new information that it was presenting had been submitted by you and the State Department.

Secretary Dulles: There is no substantive information in there which I know of which has not been generally a matter of public knowledge and found in the press.

Q: Mr. Secretary, do you believe that President Eisenhower would regard an attack on Quemoy and Matsu as an attack on Formosa?

Secretary Dulles: That question stands today where it has stood ever since Public Law 4 was adopted and since our treaty of security was made with the Republic of China. As you recall, the treaty area is defined, but the President is authorized to use the armed forces of the United States in relation to related areas if he believes that is important for the defense of the treaty area.

Q: Well, in fact, Mr. Secretary, this article says that you never had a doubt that the President would regard an attack on Quemoy and Matsu as an attack on Formosa. Is that correct?

Secretary Dulles: As I said before, I did not read the article in advance and I will not here discuss the views of the author.

Q: Mr. Secretary, you said that there is no information here which has not already been made public. Where can one find the statement that the President agreed on your recommendation, and on the second occasion decided again when you telephoned him during the night, that if there was no truce in Korea, the United States would bomb across the Yalu into Manchuria?

Secretary Dulles: Well, I have seen that oftentimes in the public press. You will recall that there had already been drawn up at that time the statement by the 16 nations who were in the war there, that if the war should be resumed it would probably not be possible to confine it to Korea. I think it is a fair inference that the same thing would have been true if the war would have gone on.

Q: Mr. Secretary, in the same connection, the article states that President Eisenhower concurred in your recommendation that the Communist forces in Indo-China be opposed on the ground, and that if the Chinese forces intervened openly, that staging bases in South China would be destroyed by U. S. air power. Did the President concur in a recommendation by you?

Secretary Dulles: I am not going to discuss the views of

. . . Dulles: "We stood firm at a point where there was a threat"

the author. Views of that sort have been expressed, and counterviews have been expressed. That is a source of public discussion, I would say.

Q: But did you make such a recommendation, sir?

Secretary Dulles: I am not going to discuss the contents of the article, because that would make it into a sort of state paper. When I have state pronouncements to make, I make my own speeches.

Q: A year and a half ago, both you and the President told press conferences that you hoped to put out a white paper on the Indo-China affair. Nothing yet has appeared until this article. When are we going to get the facts?

Secretary Dulles: There have appeared many articles that I am aware of—some written by you.

Q: Mr. Secretary, you have just said that our views should be made clear lest the enemy miscalculate and get into war. Why do we not make our position clear on Matsu and Quemoy?

Secretary Dulles: I think it is clear.

Q: It is not clear to me, sir.

Secretary Dulles: It is not clear to you because you, like me, cannot read the minds of the Chinese Communists. But to them I think it is quite clear.

Q: What do you think they think we mean to do?

Secretary Dulles: I think that they think that if an attack is started there which comprehends a claim to take by force Formosa and the Penghus, that we will fight.

Q: Mr. Secretary, you have said, I think in the beginning, that most of the article which didn't—where you were not quoted correctly, were paraphrased or were close statements of what you have said, but you have also just said that you were not going to discuss any aspects of the article which may be the views of the author. I am simply asking you, sir, is there no way to clarify what you do and what you do not accept in the article? Well, let me put it this way: Are there things in the article that you do not accept as statements of fact attributed to you?

—USN&WR

MR. DULLES

Secretary Dulles: I said—perhaps I didn't make it as clear as I should—that most of the statements specifically attributed to me are quotations or close paraphrases of what I have already said publicly. That should be made clear.

Q: You said, except for one ambiguous statement. What was that ambiguous statement?

Secretary Dulles: That was a phrase—I don't have the text here with me—which went on to say that, which implied that, the getting to the brink of war might be our choice rather than a choice that was forced upon us. The whole paragraph, I think, is perfectly clear. But one phrase taken out of context could be ambiguous.

Q: Could you state now what is the proper concept that you were trying to get across there?

Secretary Dulles: Yes, we have faced a situation where in many parts of the world, in Europe and more recently in the Far East, there has been a threat of armed attack against what I referred to here as basic moral values and vital interests. Now, we had the choice of retreating in the face of those threats or making it clear that if they were pursued that it would involve a war.

We believed that the best way to avoid a war was to make that clear. That meant that we stood firm at a point where there was a threat. But I have believed very strongly, as a result of my study of history, particularly the history of this century, that the greatest risk of war comes from not making it clear that you are prepared to defend the moral values and vital interests of the United States. We have had a history of wars which we got into despite the fact that we were always very eager for peace.

I believe that it is not enough to want peace—which surely we all do—but that to get peace requires taking what Senator Vandenberg referred to as a calculated risk, and making clear that certain things cannot be attacked with impunity.

Q: Mr. Secretary, is this the sentence that you considered ambiguous: "The ability to get to the verge without getting into the war is the necessary art"?

Secretary Dulles: Will you read—the preceding sentence, I think.

Q: The preceding sentence is—it is two sentences: "You have to take chances for peace, just as you must take chances in war. Some say that we were brought to the verge of war. Of course we were brought to the verge of war. The ability to get to the verge without getting into the war is the necessary art."

Secretary Dulles: Yes, that second sentence, if read out of context, does, I think, give an incorrect impression. The important thing is that we were "brought" to the verge of war by threats which were uttered in relation to Korea, in relation to Indo-China, and in relation to Formosa.

Q: Mr. Secretary, in order to help some of us judge whether your past views on the Indo-China armistice remain what they were, could you tell us whether you regard the armistice, as it was negotiated, as a major save for the free world in that it kept some of the country from going Communist, or whether we just took no view and in effect refused to sanction it by not signing it?

Secretary Dulles: Well, we did not, as you know, sign the armistice agreement, because we were not a party to the war nor did we want to countenance some of the provisions of that armistice which we believed were very injurious, particularly with relation to the dislocation of the hundreds of thousands of Catholics in the northern area who had to be displaced under very rigorous conditions.

We believe, however, that the event has proved that the losses which were taken by that armistice can be limited and do not necessarily involve what was one time feared—that is, the loss of the whole Indo-China Peninsula.

Q: Mr. Secretary, could you tell us what foreign-policy considerations have guided you to collaborate with the writing of this article, why you agreed to it at this time, and whether these conclusions included the fact that Sir Anthony Eden would shortly come to this country?

Secretary Dulles: It had no relationship to that whatsoever. My so-called collaboration involved nothing more than what I have done with a good many people here in this room—that is, from time to time have informal chats with certain of you. This particular one took place, I think, about the first

. . . Dulles: "Peace is not won by seeming to retreat"

of December. I had no knowledge at that time as to when an article would be issued, if indeed it would be issued at all.

Q: Mr. Secretary, the [New York] *Herald Tribune* says in a front-page editorial today that this *Life* magazine article was submitted to the State Department before publication, and that one major change was requested, and that the magazine found it was too late to do that. And the second point is that the article contains at least one error of fact, namely that a British change of heart prevented the proposed meeting in Washington during the Indo-China crisis. I would like to ask whether you or any of your aides suggested the change in the article which could not be made, and whether or not you believe the British change of heart did prevent the Indo-China meeting?

Secretary Dulles: Well, I am not going to go into the last question, because that relates to past history where there obviously have been differences of opinion, and it is not desirable, I believe, to revive possible differences and misunderstandings which may have occurred at that time.

As far as the other question is involved, that is something I have no personal knowledge of, and was undoubtedly handled by the Public Relations Division of the Department.

Purpose of Verbatim Record

Q: Mr. Secretary, was any verbatim record kept of this conversation, in whole or in part?

Secretary Dulles: I believe that notes were made of the conversation.

Q: No, I mean in terms of either a recording or a stenographic account.

Secretary Dulles: I believe that there was, yes, but I did not see it and it was understood that that was merely for the purpose of refreshing the recollections of the author and not for the purpose of supplying any material that could be quoted.

Q: Can that be made available to the press, Mr. Secretary?

Secretary Dulles: No.

Q: Mr. Secretary, how did you determine—how did the writer determine what things you said that were to be quoted directly? Did you guide him on that?

Secretary Dulles: I was not conscious at the time that anything that I said would be quoted directly.

Q: Then, are you saying, sir, that the quotations attributed to you were made on the writer's own authority and responsibility?

Secretary Dulles: I said on that, I think, that the quotations in the main were actual reproductions of what I had previously said publicly, and that otherwise I had no reason to question them from the standpoint of their broad substance.

Q: Well, you understand the difficulty that everyone is in, sir, because, as you remember yourself, when some questions have been put to you, that it has been impossible for you to discuss those questions because this is the author's point of view.

Secretary Dulles: Right.

Q: On the other hand, you have said that the substance of what he said represents your point of view. At what point are we to determine that the author is speaking and at what point are we to determine that you are speaking? How are we to know?

Secretary Dulles: Well, I suppose that you would know because of the fact that the only portion of the article on which I have commented was where certain statements were attributed to me in quotation marks and I have felt, as I said, I think, in my last press conference, that in view of that attribution to me in quotation marks of certain statements, I felt that if there was anything that was seriously wrong with them, I had a duty to call attention to that lest harm be done.

I therefore read the article and came to the conclusion that, broadly speaking, the substance of what had been attributed to me was substantially accurate and in line with what I previously had said. Therefore, I saw no reason to issue a repudiation or a correction.

Q: Mr. Secretary, in regard to this passage which contains the sentence used here before—I will read it again: "The ability to get to the verge without getting into the war is the necessary art," that passage is set in quotes as though it were a direct quote from you. Can you tell us whether that passage is taken from a public statement of yours or was quoted from you in the course of that conversation?

Secretary Dulles: I have said the substance of that, I think, on a good many occasions: that I believe that peace is not won by seeming to retreat when an aggressor threatened; that it was important to make clear the fact that we were going to stand firm even though that might involve war. That is a sentiment which I have expressed a good many times over a great many years, and I think that this particular statement attributed to me, when read in the light of its context, is a fair reflection of my views.

Q: It is a reflection then, but not a direct quote as it stands?

Secretary Dulles: I would never myself have expressed myself in quite that way for publication.

Q: Mr. Secretary, what is your reaction to congressional reaction to this article?

Secretary Dulles: Well, the article, I'm sorry to say, gives me a great deal more credit than is my due. The title of it gives me too much credit; the article, as a whole, gives me too much credit; and, as such, it was bound to attract criticism in some quarters.

I regret the fact that some people have given me too much credit, although I do not regret the fact that there are some people who seem to approve of what I have done.

Q: Sir, in regard to these three episodes discussed in the article, whether we might have gone to war and did not, were there, in each case, other factors leading to "nonwar" which were overlooked in the article?

Secretary Dulles: I have said that articles such as this, dealing with a complex subject, inevitably oversimplify and, in that process, tend to overemphasize. I think, undoubtedly, there were a good many factors in the equation—not all of them are mentioned in this article.

U. S. Policy Was "Clear"

Q: Mr. Secretary, in those same three instances, are you satisfied that our allies had a clear impression of what we had planned to do in the event that the talks broke down, or that the war in Korea was renewed? Had we made clear to them the drastic steps that we proposed to take in that event?

Secretary Dulles: I think our policy was made clear to our allies, yes.

Q: Are you satisfied, sir, that it was made clear to the responsible committees of the Congress?

Secretary Dulles: Well, it was made clear to the congressional leaders. Now, I think we have discussed this particular subject enough.

PLUS & MINUS
Latest Indicators of Business Activity

Business activity is holding well despite soft spots in auto output and home building. Prices of stocks and sensitive commodities, however, have slipped a bit lower.

Steel mills produced a record tonnage in the week ended January 14.

Electric-power output, seasonally adjusted, reached a new high of 17 per cent above a year ago.

Carloadings were up 11 per cent from the corresponding week of 1955.

Auto production, in the first two weeks of 1956, estimated by Ward's Reports, Inc., fell 9.2 per cent below the same period of 1955.

The rate of home building, as the top chart shows, sank to 1,187,000 per year in December, down for the fourth straight month.

Stock prices drifted to the lowest point in two months.

Raw-material prices surrendered all their gains since late November in the week ended January 18. Main losses were in hides, rubber, steel scrap, lead and tin.

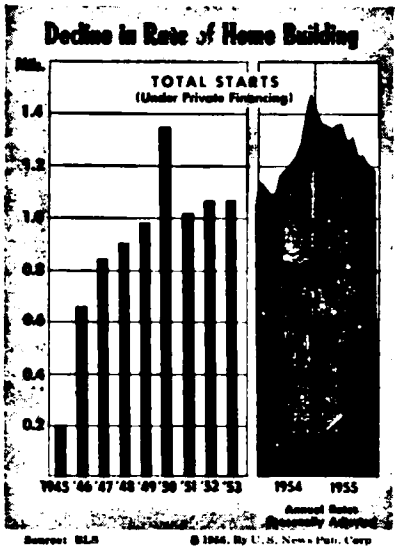
Interest rates have softened since the turn of the year. The Treasury paid 2.495 per cent on its offering of 90-day bills on January 18, down from 2.596 the previous week, 2.688 in the last week of December.

Bond yields also have fallen recently, but much less than yields on short-term Treasury securities.

Bank loans to business shrank 252 millions at weekly reporting banks in the week ended January 18. A net repayment of loans is normal in early weeks of each year.

Consumer loans, down 32 millions, are being watched closely. The drop in auto sales has slowed the rate of credit extensions. Meanwhile, repayments on consumer installment loans are rising, month after month.

Mortgage recordings declined in November for the third straight month and were 14 per cent below August. A further drop in new mortgages is due in coming months. In December,



VA appraisal requests and FHA applications were barely half of December, 1954.

Home builders, resigned to a low rate of starts early this year, are hoping that their industry will revive as the year progresses.

Lenders, it is hoped, will soon begin to make advance loan commitments to builders at a faster rate. Savings and loan associations are thought to be in a good position to do this. Their inflow of savings has been large in recent months. The Home Loan Bank System will now lend more freely to the associations to add to their lendable funds.

Maximum maturities on FHA and VA loans have just been increased by the Government from 25 to 30 years. As a result, some builders who have hesitated to build many homes for fear that demand would not be strong enough to permit their sale at a satisfactory profit may now go ahead.

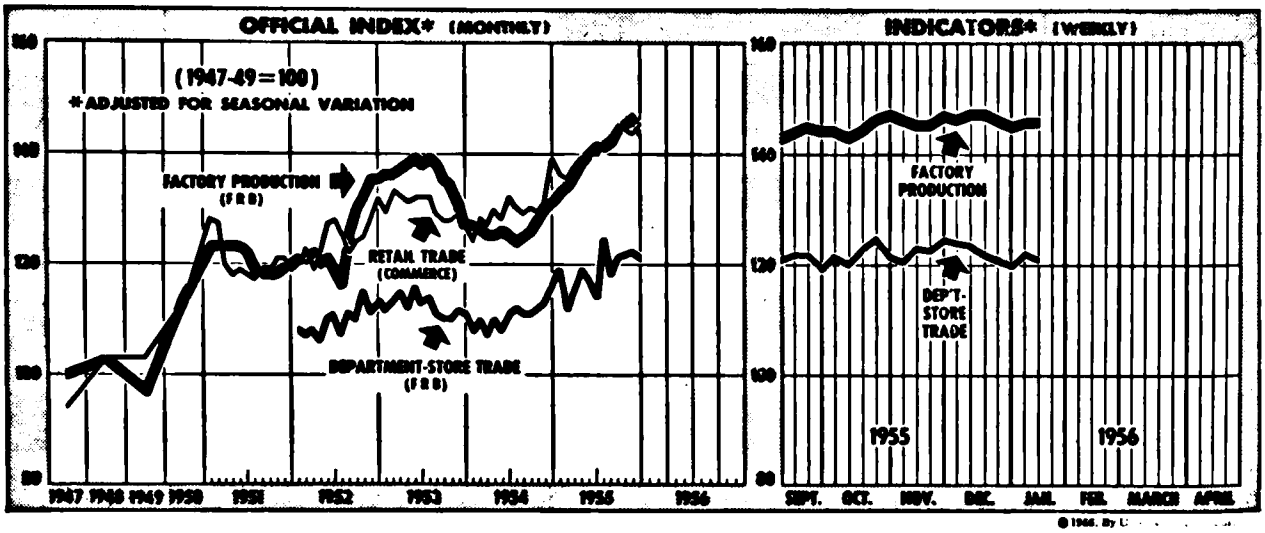
Obstacles to home building, however, will not disappear overnight.

Under mortgage "warehousing" agreements, insurance companies and savings banks must still use part of the investment money they receive this year to pay for mortgages bought last year with borrowed money.

Costs of home building reached a record high in December, 4 per cent above a year ago. Land costs have soared. Many lenders will make VA and FHA loans only by advancing less than the amount to be repaid. The discount, an addition to the lender's interest income, is an extra cost that must be borne by the builder or the buyer.

Choice for the builder is: either mark up sales prices and risk driving customers away, or absorb higher costs out of his profit margin—chilling alternatives, enough to discourage many builders.

The upward push of business activity has been stopped by lowered activity in the auto industry and in home building. But business activity, so far, has not turned down.



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"Mister, I wouldn't want stock in this company!"

No assistant treasurer was ever more astonished . . . or more curious. *Why* were the foremen so cold toward the new stock purchase plan?

Then came the deluge. The foremen stated flatly that money was being wasted on indirect labor. Yet without daily reports on their operations — man-hours, output, work ahead — they could do little about it. Some of them had complained before. All of them questioned the future of a company where factory costs were handled so loosely.

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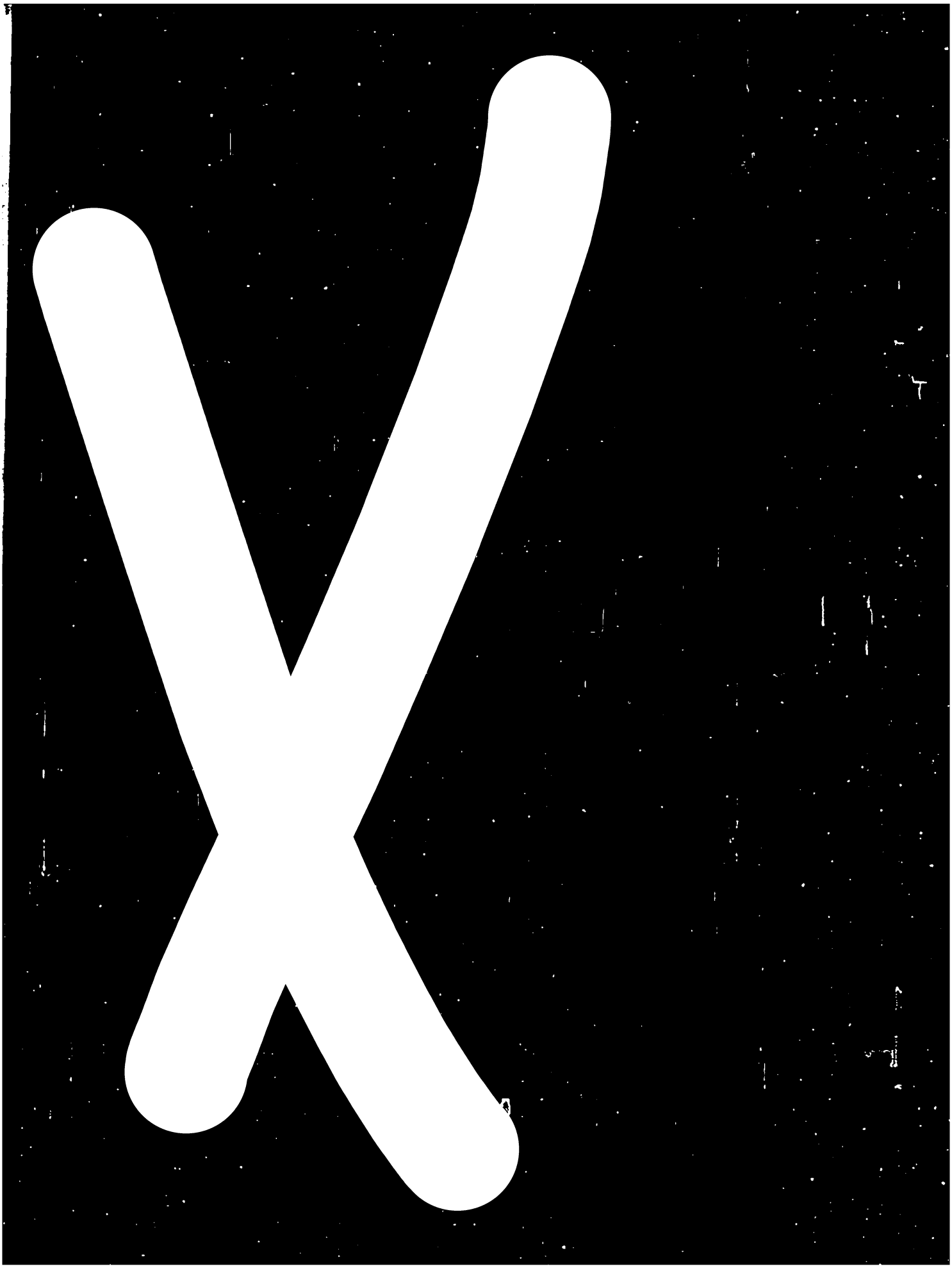

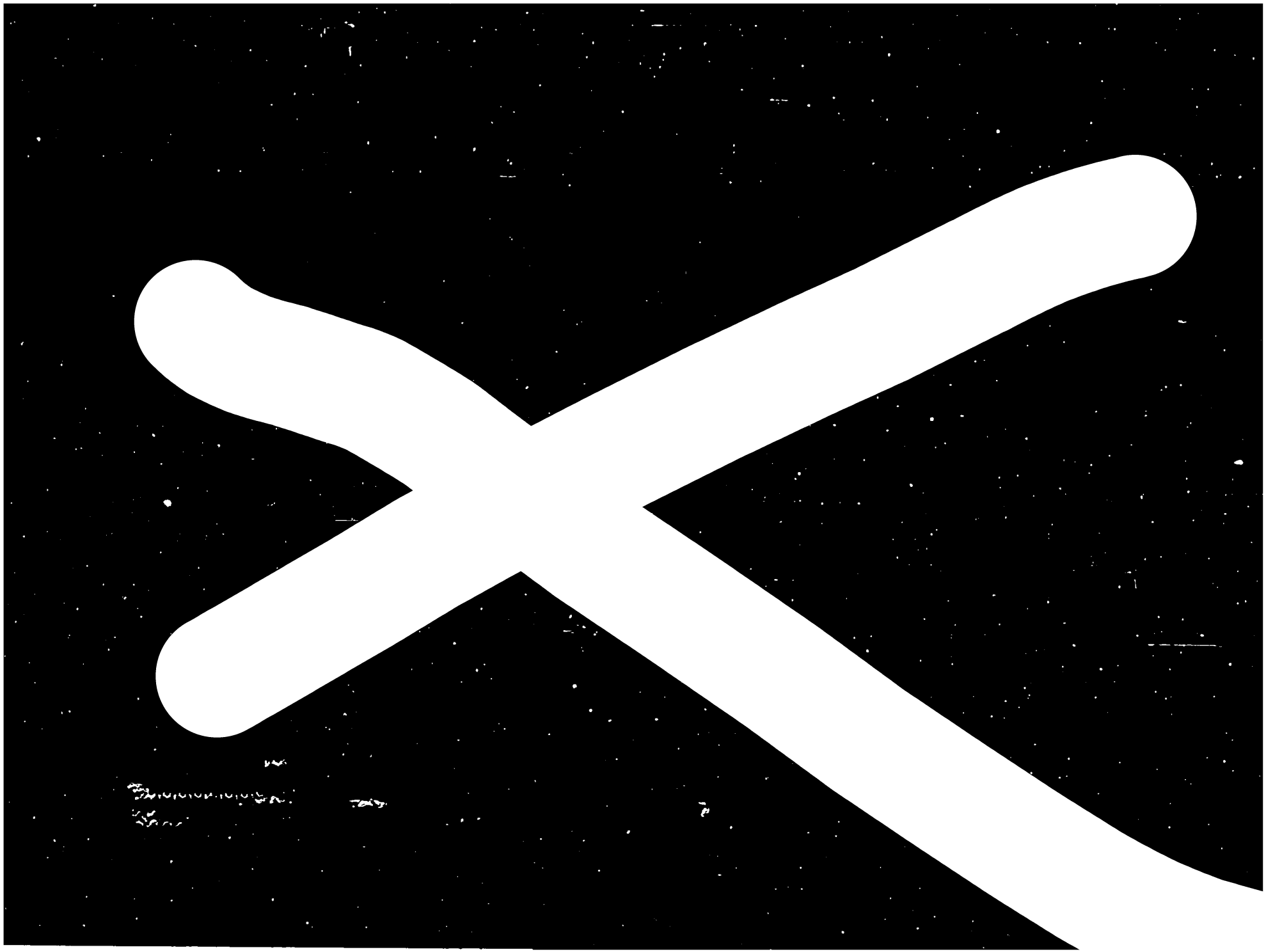

Trend of American Business®

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Signs of softening in the business outlook fail to impress the Federal Reserve Board--the group that manages the country's supply of bank credit.

Tight-money policy that was adopted a year ago when the boom was gaining strength is still being followed, with no sign of a letup.

Commercial banks are not being allowed to build up their reserves and thus increase their capacity for expanding loans to customers.

The Reserve Board, in brief, still thinks the boom needs dampening.

This is the season when banks normally acquire additional funds because of repayments on loans made in the autumn and the return flow of currency. That is taking place now, but the Federal Reserve is sopping up this money as fast as banks are getting it. That keeps the credit supply tight.

The Reserve takes money out of the banking system by selling Government securities from the portfolios of Federal Reserve Banks.

Sales for the week ended January 18 amounted to 389 million dollars.

In addition, the Reserve unloaded 115 millions held under repurchase agreement--agreements by dealers to buy back securities from Reserve Banks.

Effect of these transactions is to decrease bank reserves--the base that commercial banks use for making loans.

Result is that the banking system now is in debt to the Federal Reserve. To make new loans, many banks are forced to borrow from Reserve Banks.

Excess reserves--reserves not obligated--were reported to average 568 millions for the week ended January 18.

Bank borrowings from the Reserve, however, averaged 920 millions.

Net debt of the banking system thus came to 352 millions.

The banking system, on the whole, can't supply any new credit without tapping the Reserve Banks. That condition tends to discourage lending.

Actually, in the mid-January week, Federal Reserve authorities turned the credit screws a little tighter. The reserve "deficiency" of 352 millions compares with only 50 millions in the preceding week. The Reserve obviously is not going to chance any early outpouring of new bank credit.

Housing officials appear to be somewhat at odds with the Federal Reserve.

Home-mortgage terms are being eased on Government-guaranteed paper. The maturities on new loans are extended from 25 to 30 years.

Mortgage lenders also can tap Home Loan Banks for funds.

So you now have the rather strange situation of one Government agency following an easier credit policy while another agency tightens up. Reason probably is that general credit tightening seems to be squeezing the mortgage

(over)

markets. And signs of weakness are showing up in home-building activity.

Output of factories and mines, at latest reports, hums along at boom peak.

Industrial production for December is reported by the Federal Reserve Board at 144 per cent of the 1947-49 average, same as the November record. The figure is adjusted for seasonal variation.

Factory output dipped a bit, from 146 per cent to 145 per cent.

Auto plants curtailed activity in the closing month of the year.

Machinery production was off, partly because of the Westinghouse strike.

Television output also showed a decline for the month.

Steel mills keep producing at close to capacity levels.

Furniture output is steady at a high level.

Building materials also are being produced in large volume.

Among the soft-goods producers, year-end production was higher in the textile, apparel, chemical and petroleum industries. Paper output holds high.

Mineral production, mostly coal and oil, rose to a record in December. That was due in large part to severe winter weather.

It's reports like these that prompt the Federal Reserve to keep a tight hold on credit. Not until there are more positive signs of a slowdown in over-all business activity will the Reserve act to ease up on credit.

Mr. Eisenhower's cash budget shows up better than the bookkeeping budget.

Cash surplus for this fiscal year and the next one is put at 2.4 billions for each year. That compares with a bookkeeping surplus of 200 millions this year and 400 millions for the year that ends June 30, 1957.

Cash budget contains only the actual cash income and cash outgo of the Treasury. It includes as income Social Security and other trust-fund receipts that do not show in the regular budget. It does not count as outgo such items as interest owed but not paid to trust funds.

Cash budget is a measure of how Government operations affect business by either taking money away from the public or giving money to the public.

The cash budget for the 1957 fiscal year shapes up like this:

Payments from the public, 75.3 billion dollars.

Payments to the public, 72.9 billion dollars.

Cash surplus for the year, 2.4 billion dollars.

Treasury transactions, in other words, are to be mildly anti-inflationary.

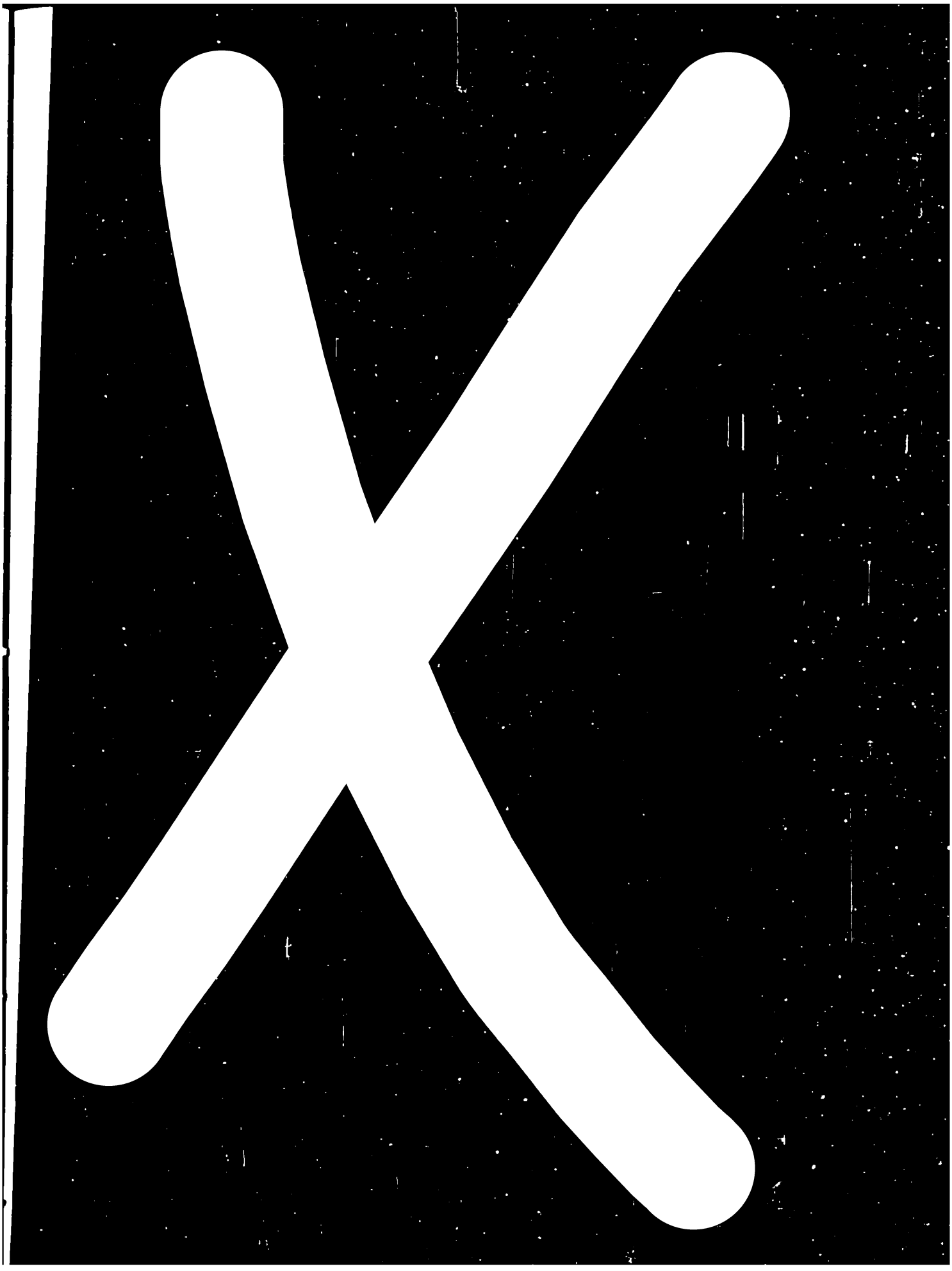
The cash surplus also can be expected to catch the eyes of Congressmen who want to reduce taxes this year. They will argue that the Government can afford to ease tax burdens on individuals. If business turns down later in the year, the pressure for tax reductions will increase.

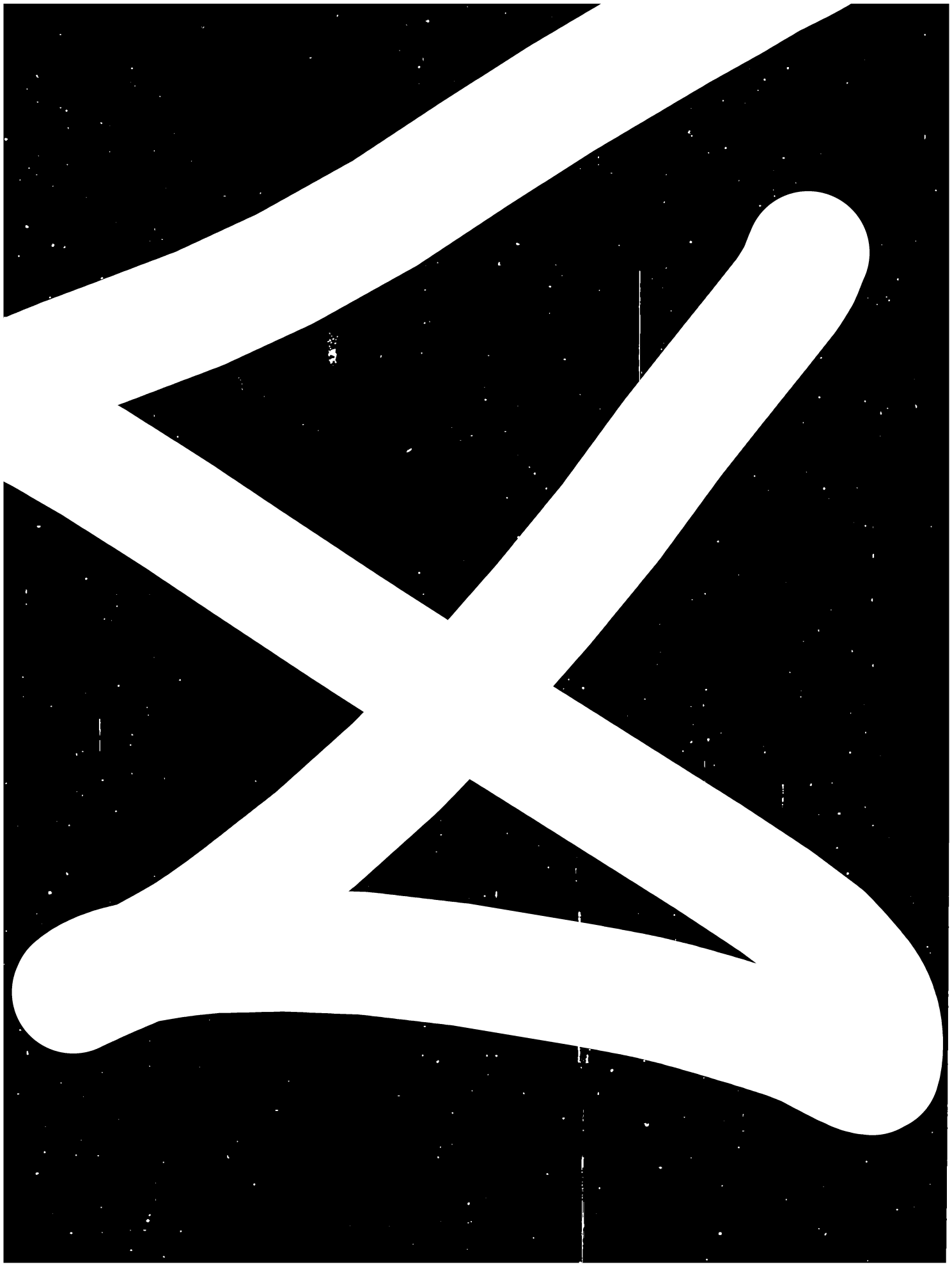
Treasury, in its revenue estimates, thinks that people's income will rise in the budget year ahead, but that corporate profits will stay level.

Income tax collections from individuals are put at 33.5 billions for the present fiscal year, 35.1 billions for the year to end June 30, 1957.

Corporate taxes are estimated at 20.3 billions for each period.

Explanation from Treasury Secretary George M. Humphrey is that competition and possible wage hikes are likely to hold profits down.





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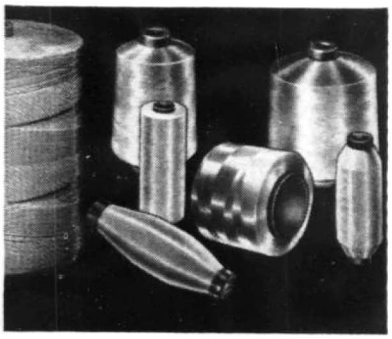
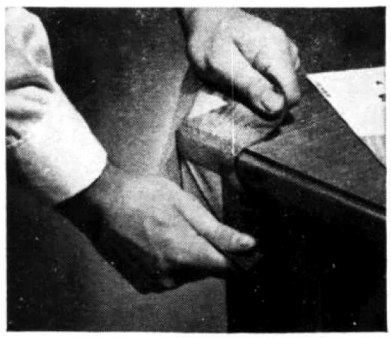
1 **R. H. Barnard,** president of L·O·F Glass Fibers Company, Toledo, Ohio, compares lightweight glass-fiber-blanket material with a package of cigarettes. Looking on are Vice President J. M. Johns (left), director of sales, and Vice President Thomas A. Collins, assistant to the general manager. "We depend upon suppliers like Wyandotte," says Mr. Barnard, "to help us maintain our 24-hour-a-day production schedule. They deliver raw materials in quantities we need . . . at the time we need them." Wyandotte products are basic to many industries, including: paper, paint, petroleum, detergents, textiles, rubber—and, of course, glass.

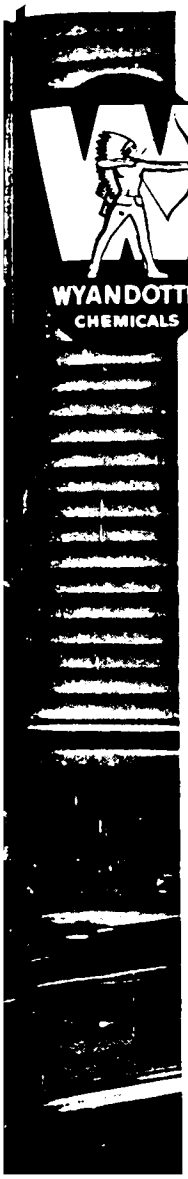


2 **Glass-fiber** yarns and reinforcing strands come in a variety of spool shapes to meet special needs. Product uniformity in glass fibers is assured by quality chemicals, such as Wyandotte soda ash—a vital ingredient, also, in paper, chemicals, soap.

3 **Finely woven** glass threads make luxurious, color-bright draperies and curtains. Here is an example of the wonders of chemistry . . . wonders which Wyandotte, with its research facilities, and as a major source for chemicals, helps make possible.



4 **Above: Test** proves glass-fiber screening is stronger, lighter, more durable. Wyandotte chemicals are tested, too, for commercial purity before shipment. You'll notice important savings in chemical costs when you buy from Wyandotte by carload.



Wyandotte chemicals at work in industry . . .

Threads of glass sew up new markets

Less than thirty years ago, scientists produced fine glass threads for commercial use in decoration. Subsequent technical improvements spawned a great, new industry: spun, or fibrous, glass.

One of the rapidly growing manufacturers in this booming young business is L·O·F Glass Fibers Company, whose products—such as thermal and acoustical insulation, textile yarns, underground pipe wraps, high-temperature insulation, plastic reinforcements—are finding ever-increasing uses: insulation for aircraft, autos, air conditioners; yarns employed in making heating pads, cable covering, fishing rods; glass cloth for molding into electrical panel boards; filling for life preservers . . . to name just a few.

Like many important glassmakers, L·O·F Glass Fibers Company relies on Wyandotte for soda ash—a basic ingredient (about 19%) in glass. For, Wyandotte has had more than 65 years' experience serving the glass industry—with both raw-material chemicals and technical help.

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5 **L·O·F Glass Fibers'** thermal- and sound-insulating blanket material is widely accepted by automobile makers for use as hood liners. Wyandotte offers manufacturers a complete line of basic chemicals, including: caustic soda, chlorine, and bicarb.

6 **Colorful,** molded chairs made of glass fibers and synthetic resin are finding favor among young moderns. Wyandotte supplies the plastics industry with valuable glycols—the miscible, odorless chemical used in the production of these resins.

7 **Wyandotte's** ownership of natural resources—like limestone and salt for soda ash—assures quality control from start to finish. Our modern research center is geared to give you technical help. Write us, giving full details on your own particular needs.

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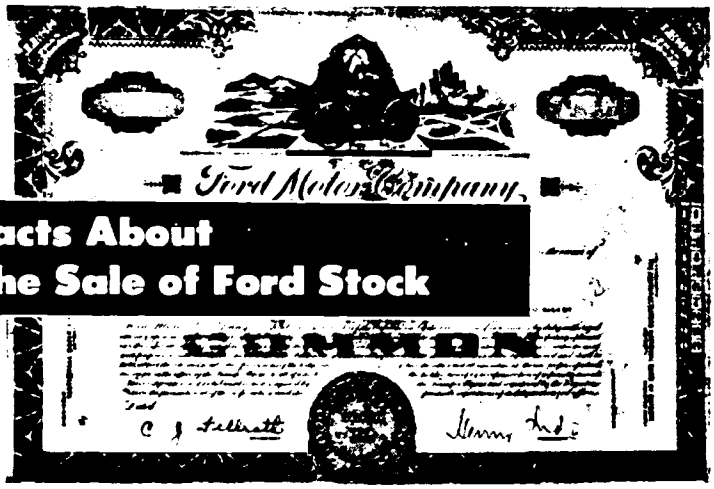

Facts About The Sale of Ford Stock

What does the sale of Ford stock really mean? Who will run Ford now? Who will get the big slice of its profits?

The change in Ford to a widely owned corporation has raised more interest than any piece of financial news in a long time—and a lot of questions.

It's possible now to answer some of these questions.

The Ford Motor Company, a few days ago a "privately held" corporation, now is the common property of more than a quarter million people. In every State and many foreign countries, there now are owners of Ford.

Nothing like the change in Ford, from a private to a public corporation, ever has occurred before. In fact, there never was another privately owned company anything like the size of Ford—one of the largest manufacturers in the country. Other "big" family firms that have been sold to the public were midgets compared with Ford.

Interest aroused by the unique transformation of Ford is raising questions as to what it all means—to the Ford company, the Ford family, investors, Ford employes and the Ford Foundation, which sold the 10.2 million shares.

The dividend prospects. You get, in the chart on this page, the picture of Ford's new ownership. The chart shows, too, who will be the big beneficiaries when dividends are declared.

How much those dividends will be, of course, depends on earnings and other factors. However, plans for a 60-cent dividend have been announced for the first quarter of 1956. On an annual basis, that would be $2.40. In that case, holders of the 53,461,470 outstanding shares in Ford will divide $128,307,528.

The Ford Foundation, with about 68 per cent of the stock, will get $86,756,688 of that.

The Ford family, with 12 per cent of the stock, will get $15,353,800.

Key employes of Ford, with a bit over 1 per cent of the shares, will draw $1,517,040.

(Continued on page 148)

WHO GOT WHAT—

Number of Ford shares sold to the public	10,200,000
What the public paid, at $64.50 a share	$657,900,000
What Ford Foundation, the seller, got	$642,600,000
What underwriters and dealers got	$15,300,000

HOW FORD NOW IS OWNED—

Shares held by public and Ford employes	10,832,100
Shares owned by Ford Foundation	36,148,620
Shares retained by Ford family	6,480,750

HOW FORD NOW IS CONTROLLED—

Voting control held by Ford Foundation	NONE
Voting control held by public and Ford employes	60%
Voting control held by Ford family	40%

—United Press

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Ford's dividend 60 cents in first quarter . . .

The investing public, with 19 per cent of the shares, will get $24,480,000.

At the start, this means a very small dividend payment for any one individual. The Ford company saw to it that, in the sale, the stock was spread around among the largest possible number of investors. Few individuals were able to buy more than five or 10 shares. So few will get a starting dividend of more than $24 a year. As time goes on, however, some investors will expand their holdings of Ford stock by buying shares in the open market.

That's the situation as of today, but there can be some important changes.

Ford, for example, can pay bigger—or smaller—dividends in years ahead as profits fluctuate and changes occur in the corporation's need for retained earnings.

Major shifts in Ford's ownership also are likely. For one thing, additional amounts of the Foundation's big block of Ford stock presumably are to be marketed at some time in the future. The investing public, in other words, is likely to get a chance to expand its stake in Ford.

Key executives of Ford, moreover, own options to buy something like 1.5 million shares—in addition to the 632,100 they already own.

And, some day, members of the Ford family may decide to sell some of their shares to the public.

How votes stand. Control of Ford, meanwhile, has not shifted. To understand why, you need to look at the voting power of shares held by the different groups of Ford owners.

The stock now owned by the public and by Ford employes is ordinary common stock carrying one vote per share.

Stock retained by the Foundation is a separate class that will have no voting privilege until it is sold. When it is, it will have one vote per share.

Stock held by members of the Ford family, on the other hand, is a separate class that carries several votes per share. With that extra voting power per share, the family's 12 per cent holdings provide firm control of the company.

In the future, the family's margin of control can shrink as the Foundation sells its shares and those shares get the voting right. It can shrink, too, if the Ford family sells some of its shares. In fact, if the family members do sell stock, their voting power can drop faster than the total of their holdings. The reason is that, under the new setup, the voting power of each Ford family share will be reduced as the family reduces its holdings.

. . . Public's share of company earnings will grow

Even so, the arrangement retains for the family members a firm control so long as their holdings remain substantial. If, for example, the family members should some day sell three fourths of their Ford stock, the remaining fourth -voted with stock held by key executives of the company—probably would be enough to keep control.

How family benefits. The Ford family, it's obvious from all this, remains in a position to retain its grip on the company for a long time—for generations. What this means is that the family will enjoy substantial benefits from

United Press

MAKING FINANCIAL HISTORY
Henry Ford II signs the agreement that put Ford stock on the market

the shift to a public corporation, and do it without sacrificing control of management.

One important benefit is the creation of a public market for the family's shares. The stock is to be listed and traded on the New York Stock Exchange starting in a few weeks, and later on other exchanges.

Beyond that, however, the family is all but certain to enjoy a direct benefit in the form of bigger dividend payments. Now that Ford has more than a quarter million stockholders to keep happy, the plan is to pay out more of the firm's earnings.

In addition, the family will draw a slightly larger percentage of each dividend. The reason is that, in the exchange of old stock for new, the family members acquired a 1.74 per cent in-

(Continued on page 150)

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Love Letters to Rambler

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Joseph F. Ross

"In my Rambler Station Wagon, with a vague notion that El Paso lay in a Sou'westerly direction, I left Babylon, N. Y. on 18th May. Less than six days and almost 5,000 miles later, I was back in Babylon! I expected that 60 would be as fast as I could drive and still be relaxed. Was delighted when I pushed it to 70 to find I still had excellent control and stability.

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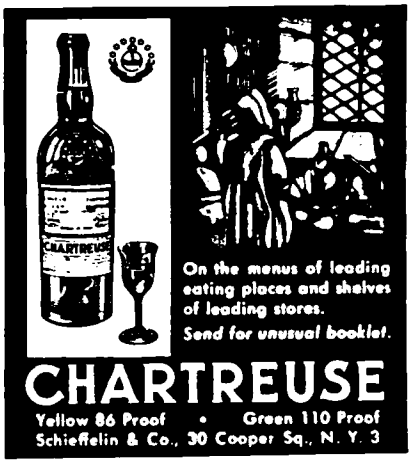

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Finance Week [continued]

Ford hopes stock issue will help sell cars . . .

crease in their equity—their stake in Ford and its dividends. As the Foundation explains it: "This increased equity reflects, in addition to the other terms of the plan, the relinquishment of the exclusive right to vote in the affairs of management."

New shares later? The Ford company, too, draws benefits from the shift to a public corporation.

For one thing, the corporation now gets access to the public equity market. In the future, the company can—if it needs to—float new shares for funds with which to expand operations.

For another, the stock-option program on which the company relies to attract and keep competent executives is likely to have more meaning. Employes will be able to sell their stock on the open market. They will be able, like any other investor, to watch the market value of their shares from day to day. And any profits that result from their sales can be reaped without complicated problems of evaluating the stock.

There may be still another advantage in the new status of Ford. Hundreds of thousands of individuals now are to have an interest in the company's future.

They'll want the company to prosper and grow. It is the Ford management's hope that this solicitude for the company's welfare will influence these investors when they shop for a new car.

Outlook for future. For investors in Ford shares, the benefits will depend on a lot of things.

The current return, in dividends, will be determined by Ford earnings and the company's need to hang on to its earnings for expansion. These, in turn, will depend on the future market for automobiles and Ford's success in carving out a slice of that market.

Already, Ford's new owners have been treated to the rare spectacle of a corporation president publicly warning potential investors not to expect miracles from his company's stock. Henry Ford II said he is "reasonably sure" that 1956 will not be as good a year as 1955. He added: "I believe in the future of our country, the long-term growth of our industry and Ford Motor Company's ability to participate in that growth."

This long-term growth appears to be what people were thinking of when they rushed in such huge numbers to buy the initial offering of Ford shares. It may also have been what investors had in mind when they bid up the market price of Ford shares to $70, for a $5.50 premium,

(Continued on page 151)

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. . . Small holdings rule out early fortunes

on the first day of trading. Buyers obviously hoped the Ford stock would rise in value and offer opportunities for sale at a profit.

Whatever these investors achieve in the long run, no one is going to make a fortune off Ford stock very soon. Few, if any, individuals were able to get their hands on enough of the stock for that. A Washington, D. C., investor with a $100,000 broker's account, for example, could wangle only 20 shares.

For the longer run, Ford now joins the long list of corporations whose stock millions of people will be buying and selling in the hope of hefty dividends and gains at the market place.

› Break for farmers. Low-income farmers will get an easier method of making out income tax returns and—in most cases—save some tax money, if Congress passes a bill just introduced in the House. The bill offers a new "standard" deduction for farmers' farm-operation expenses. The method would be available only to those with gross incomes from farming of $10,000 or less a year and who receive at least two thirds of their total gross income from farming. Where actual expenses exceed the standard, farmers could itemize.

› Proxy fights. Corporation managers and any stockholder groups who set out to overthrow management will have to campaign under a new and stricter set of ground rules in the future. The Securities and Exchange Commission has adopted new proxy rules, effective January 30. The rules require, for corporations listed on national exchanges, that more detailed information be made public about participants in proxy contests.

› More housing bonds. For investors who like tax-exempt bonds, the Public Housing Commissioner has just announced plans for the sale of $106,750,000 of new Housing Authority bonds.

› Old-age pensions. The Social Security bill passed by the House last year now is to get public hearings before the Senate Finance Committee. If the bill passes the Senate, here's what happens: Disabled persons protected by Social Security will draw pensions starting at age 50. Disabled children older than 18 will become eligible for dependents' benefits. Self-employed professional workers not now covered—except doctors—will come under the system. Women will become eligible for retirement or survivor benefits at age 62.

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Another Success Story

How to land "butter side up"

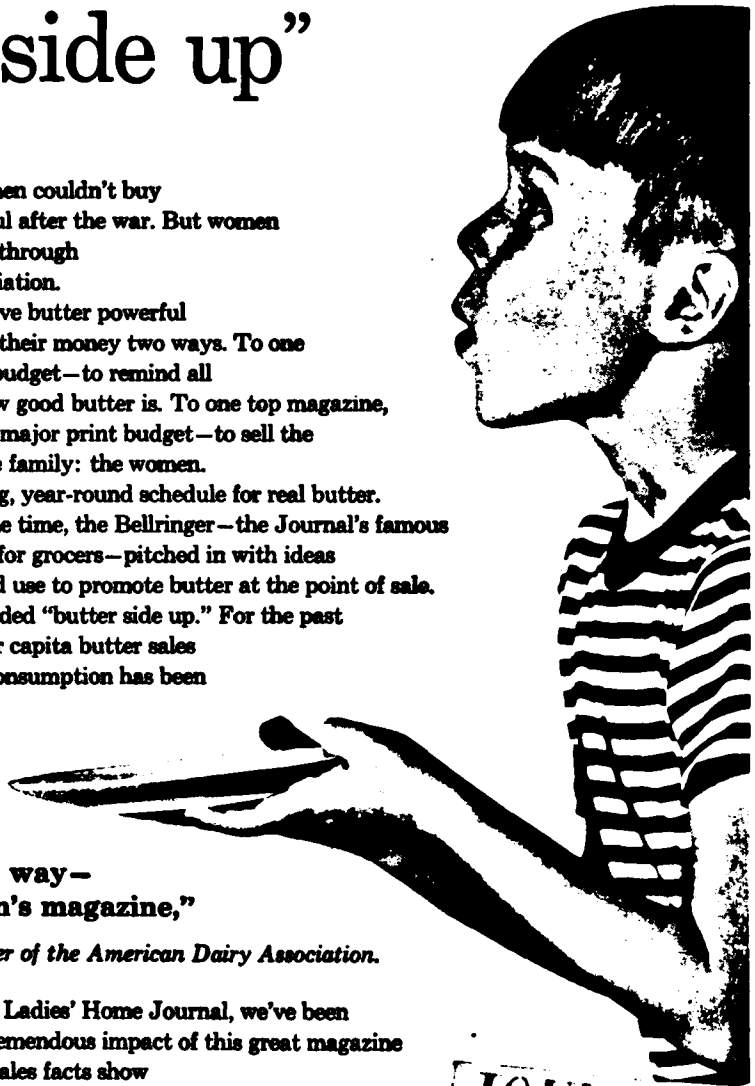
Butter was scarce during the war. Women couldn't buy enough of it. Butter was plentiful after the war. But women *didn't* buy enough of it. So dairy farmers acted through their American Dairy Association.

American Dairy Association decided to give butter powerful advertising. They divided their money two ways. To one top show, *Disneyland*, went their TV budget—to remind all the members of the family how good butter is. To one top magazine, *Ladies' Home Journal*, went their major print budget—to sell the buying members of the family: the women.

The Journal launched a big, year-round schedule for real butter. At the same time, the Bellringer—the Journal's famous merchandising service for grocers—pitched in with ideas retailers could use to promote butter at the point of sale.

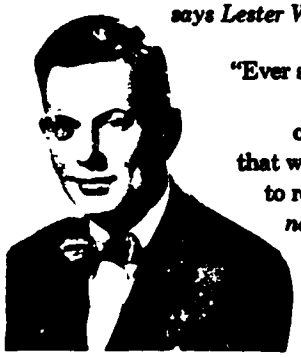
Today, dairy farmers have landed "butter side up." For the past two years, instead of continuing down, per capita butter sales have increased substantially. Home consumption has been increasing even more dramatically.

And for a big share of this success, they thank the power of the Journal—the No. 1 way to influence women.



"We're selling to women the No. 1 way—and in the No. 1 women's magazine,"

says Lester Will, General Manager of the American Dairy Association.



"Ever since we began using Ladies' Home Journal, we've been able to feel the tremendous impact of this great magazine on butter sales. Our sales facts show that we've not only wooed many women *back* to real butter—but we've also won many *new* women customers for real butter. Naturally, in the coming year, the Journal will continue to spear-head the industry's advertising for real butter."

Never underestimate the power of the No. 1 magazine for women...

The JOURNAL
A CURTIS PUBLICATION

Business Around the World

LONDON • PARIS • BONN

>> In both the U.S. and Britain, the same economic warning note is sounded. By coincidence, the auto industry in each country has overjudged its market—at the same moment.

British and U.S. automobile makers are both cutting production.

Dealers' stocks in both countries are considered uncomfortably high.

Seasonal influences, credit tightness are blamed in both places for the sudden chilling of the hot pace of sales. Car sales climbed to new records last year in both countries. Industry leaders on both sides of the Atlantic are going ahead with expansion plans, hopeful that the sales dip is temporary.

How "temporary"? There's more worry about that in Britain than in the U.S.

>> The auto story in Britain has some aspects not present in America—aspects that are regarded in Britain as pretty fundamental.

The export market is extremely important to British auto makers—and to Britain's over-all trade. British auto exports showed some numerical gains last year. But they made a poor showing, relative to export gains of the Germans, for example. This was especially true late in the year.

Reduced import quotas in Australia and New Zealand hurt British auto sales badly. Also, South Africa has put off letting more British cars in.

In the important U.S. and Canadian markets, British sales fell off.

In Western European markets, the British lost ground, as German, French, Italian and even Eastern European competition made headway.

>> With export markets sliding, British car makers started flooding their home market, where waiting lists for new cars were long.

But the big flood came just when credit restrictions in Britain were beginning to be felt. The purchase tax on automobiles was raised in October from 50 to 60 per cent. Dealers in used cars found themselves squeezed for bank credit. Used cars were dumped and prices fell. Many car owners thereupon dropped plans to buy new cars. The immediate demand for new cars suddenly fell off toward the end of the year. The waiting lists melted away.

>> British car manufacturers now are urging the Government to ease up on credit curbs. "Market conditions" are cited by them as a reason for not giving in to wage demands. Workers, losing overtime benefits, are beginning to think in terms of a guaranteed 40-hour week. Parts suppliers suddenly find orders aren't as high as expected. Effects of the auto cuts spread fast.

Government planners in Britain have been trying to round off the boom, slow things down. There are no signs that they will ease curbs because of the

(over)

auto industry's problems. Inflationary problem is too serious for that.

>> German auto makers are feeling a seasonal decline in sales, too.

But optimism is more of a keynote in Germany than in Britain.

Auto-production capacity in Germany will expand to about 1.1 million units this year. Actual output in 1955 moved up a third, to 909,000. Many more German workers bought cars in 1955 than ever before. Exports also rose very fast.

Volkswagen, biggest German producer, exports 59 per cent of its cars. Volkswagen sales in the U.S. zoomed from 3,000 in 1953 to 35,000 in 1955. The firm expects to raise American sales to 60,000 this year, may produce in U.S.

Renault also intends to expand sales efforts in the U.S. Simca, another French car, is selling in California now. So is Volvo, a Swedish car. California is considered an especially good market for European-type cars.

The British cars were the first to break into the U.S. market after the war. They now have lots of competition.

>> Don't miss the deep significance of the pressure behind the movement to set up an atomic-power pool in Western Europe. This is much more than just shrewd political pressure by advocates of a United States of Europe.

Atomic power is clearly needed in Western Europe--and fast. All the experts on fuel and energy requirements will tell you that.

Look at coal, the mainstay of the European economy for centuries.

Coal production in Western Europe isn't expected to expand much, if any, from present levels. It may even decline in 1956 and in coming years.

The big exporters of coal in Europe--Britain and Germany--are cutting exports sharply. Both countries became net importers of coal last year. Neighboring countries which normally count on importing European coal are having to turn elsewhere. Costly coal from U.S. has filled most of the gap.

Coal imports, mainly from the U. S., are crowding British and Continental ports. Inland transport creaks under the load. As winter freezes rivers and canals, the coal situation worsens. Coal stocks on the Continent are low.

>> Increasingly, Western Europe is having to convert to oil. Heavy fuel oil, especially, is needed for factory use. Britain alone used 20 per cent more fuel oil in 1955 than in 1954--an enormous increase in just one year.

Oil imports into Western Europe clearly are to rise steeply in the next few years, since coal availabilities are just about at the ceiling. Fuel and energy requirements of a reawakened European economy will continue upward.

Coal and oil imports, between them, will cost Western Europe several billion dollars this year, and even more in succeeding years. This could create for the Europeans a serious problem of payment.

>> Remaining economic sites for water-power development in Western Europe are strictly limited. In most countries, the end of water-power expansion can be seen in 10 to 15 years. Water power isn't too important in the over-all energy picture in Europe anyway.

There's talk of piping natural gas into Western Europe from the Middle East. That's a long haul and an expensive undertaking, crossing many boundaries.

In this situation, the appeal of atomic power is obvious. Western Europeans agree it's needed. Real question: How will it be controlled?

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FIRMNESS—NOT DEFEATISM

By David Lawrence

THE AMERICAN PEOPLE can breathe easier as a result of the pronouncements on foreign policy recently made by the Secretary of State, John Foster Dulles, and because of the outspoken support given him publicly last week by President Eisenhower.

Mr. Dulles has been speaking frankly to the world lest some aggressor miscalculate and start a war on the theory that the United States would not resist.

Irrespective of the exact wording of the *Life* magazine article which stirred up a controversy, the fact is that the governments in Peiping and Moscow have, in effect, now been told that the United States has not succumbed to the "strategy of terror" which the Communists have used through their propaganda in an effort to anesthetize public opinion here and abroad.

For many months now, the Communists have been playing a sinister game. They have endeavored to frighten the peoples of the West by emphasizing the horrors of the hydrogen bomb. But while the President tried to get an agreement to ban the use of nuclear weapons and entered wholeheartedly into a conference "at the summit" at Geneva last summer to bring about a truce in the world, the Communist governments upset those hopes shortly after the conference was held.

Marshal Bulganin said on December 31 last that he does not rule out the possibility of a nuclear war. Here was a veiled threat which had to be met, and the magazine article—reflecting in the main the views of Mr. Dulles—was an opportune reminder that the American determination to use nuclear weapons, if necessary, has not changed.

What must be avoided today is the creation of the same atmosphere as enveloped Europe just before World War I and again before World War II. In each case, a government that was planning aggression miscalculated. The belief prevailed in both instances that the United States would not enter a European war or that, if American intervention came, it would be too late to prevent a victory for the aggressor.

Adlai Stevenson in 1952 said that "the men in the Kremlin thought they would be unopposed" in Korea. Unfortunately, Secretary Acheson in January 1950 gave that impression, and America had to engage six months later in a bloody war to "repel aggression." A warning in advance might have avoided that war.

Mr. Dulles has sought in season and out to let the aggressor know in advance what is going to happen if there should be an attack in Europe or elsewhere threatening the security of the United States or its allies.

Fortunately, our allies agree with the course outlined by Mr. Dulles—namely, "massive retaliation," in case of attack, which, of course, means the use of nuclear weapons on a selective basis to achieve the most effective results in a military sense.

Our allies are glad the United States is standing for firmness and not defeatism. Prime Minister Eden of Great Britain made a public speech supporting this very point last week after some British newspapers had misinterpreted the *Life* article as meaning something inconsistent with British policy. Mr. Eden said:

"If there is less fear of world conflict today, this is due to the deterrent of nuclear weapons. Remove the deterrent, or take risks in pretending that it is not there, and the world outlook would be terrifying indeed.

"The justification of both the atomic and hydrogen bombs is that they are deterrents, so awful that no country will risk their use against itself. It is therefore true that the danger of world war should decrease unless an aggressive-minded nation gets into its head that the bomb will not be used against it, whatever it does."

It cannot be proclaimed too often that the United States and its allies mean business and are not bluffing. It is to be hoped, moreover, that Soviet Russia will not make the mistake of assuming that the petty partisans in Congress are speaking for the American people when these unwise politicians attack the Administration on a political front.

The aggressor could select 1956, our election year, as the occasion for taking risks.

It is reassuring that Senator George, Democrat, Chairman of the Foreign Relations Committee, has not shared the critical attitude of some of his colleagues.

There is no international harm in a divided political party but we must not present the spectacle of a divided Government. The world should have no doubt that we have a firm leadership in these critical times.

This is the time of all times for politicians to abandon partisan techniques and stand up for America.

The courage of the Secretary of State, Mr. Dulles, should not be derided but applauded.

The wisdom of issuing warnings to an aggressor is unmistakably clear. The episode in which Secretary Dulles recently figured has turned out to be a timely warning. It becomes a constructive contribution to world peace.

For the policy of the United States is, and should continue to be, one of firmness—not defeatism.

Canada's Iceways kept me ON EDGE

1 **"Going like the wind** means going over a mile a minute when you skipper an iceboat on Lake Ontario's Hamilton Bay where a quartering gale taught me the difference between ice and water," writes Bill Thompson, an American friend of Canadian Club. "When a sudden squall sent me luffing into the wind, my windward runner hiked high into the air and a patch of shell ice literally tripped me up.

2 **"At the starting line** I'd had the sport figured as simply a frozen version of blue-water sailing. 'Much faster,' my host had said. Faster indeed. I was going 60 when that squall hit me.

3 **"Over I went,** falling out of the cockpit as four husky Canadians came skidding to my rescue. Resting on its fragile mast, my iceboat looked pretty funny. But it wouldn't have been so funny if her mast had snapped and crashed her hull 10 feet down on me.

4 **"'I'll stick to water,'** I told my host later on. 'As you will,' he said, 'but don't drink it without this.' And he poured Canadian Club!

5 **"Iceboating flourishes** from the Great Lakes to the Gulf of Finland. I'm sure many an iceyachtsman caps a day on the ice with Canadian Club."

Why this worldwide popularity? Canadian Club is *light* as scotch, *rich* as rye, *satisfying* as bourbon. Yet it has a distinctive flavor that is all its own. You can stay with Canadian Club all evening long . . . in cocktails before dinner and tall ones after. There is *one* and *only one* Canadian Club, and *no other* whisky tastes quite like it in all the world.

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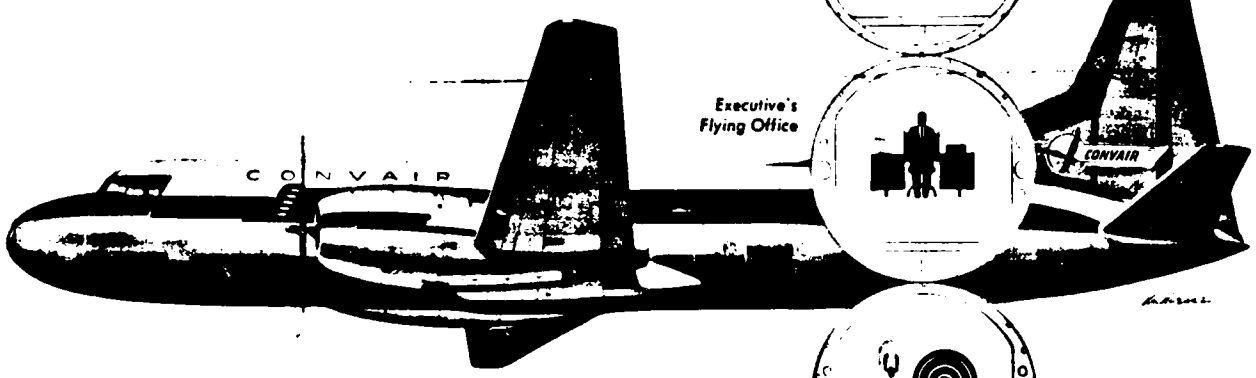
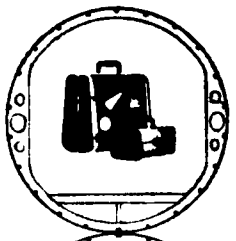
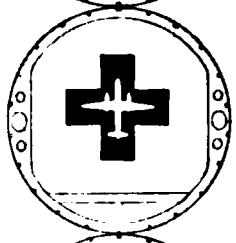
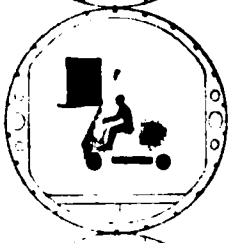




Commercial Airliner



Flying Hospital Ship



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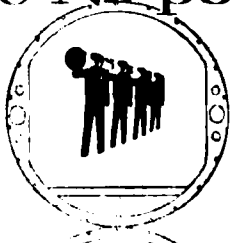
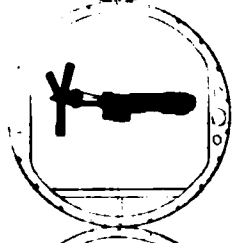


Military Transport



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